Mark Mathews, Mayor

Debbie Bryan, Place 1 Armin Mizani, Place 2 Tom Cawthra, Place 3 Bill Dodge, Place 4

Bill Hodnett, Place 5 Rick Barnes, Mayor Pro Tem

Mark Hafner, City Manager Aaron Rector, Director of Finance

Comprehensive Annual Financial Report

Fiscal Year Ending Sept. 30, 2015

Big-City Comforts, Small-Town Charm

CITY OF KELLER, TEXAS

Comprehensive Annual Financial Report

For Fiscal Year Ended September 30, 2015

CITY OF KELLER, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2015

Prepared by the

CITY OF KELLER

FINANCE DEPARTMENT

CITY COUNCIL

Mark Matthews, Mayor

Rick Barnes, Mayor Pro-Tem

Debbie Bryan
Armin Mizani
Tom Cawthra
Bill Dodge
Bill Hodnett

CITY MANAGER

Mark Hafner

DIRECTOR OF FINANCE

Aaron M. Rector

CITY OF KELLER, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

TABLE OF CONTENTS

SEPTEMBER 30, 2015

	Page Number
INTRODUCTORY SECTION	
Letter of Transmittal	1 – 8
Certificate of Achievement for Excellence in Financial Reporting	9
Organization Chart	10
Principal City Officials	11
FINANCIAL SECTION	
Independent Auditor's Report	13 – 15
Management's Discussion and Analysis	19 – 29
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	33
Statement of Activities	34 – 35
Fund Financial Statements	
Balance Sheet – Governmental Funds	36 – 37
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	39
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	40
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	41

CITY OF KELLER, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

TABLE OF CONTENTS
(Continued)
SEPTEMBER 30, 2015

	Page Number
FINANCIAL SECTION (Continued)	
Fund Financial Statements (Continued)	
Statement of Net Position – Proprietary Funds	42
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	43
Statement of Cash Flows – Proprietary Funds	44 – 45
Notes to Financial Statements	47 – 71
Required Supplementary Information	
General Fund	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	74
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Crime Control Prevention District Fund	75
Notes to Required Supplementary Information	76
Schedule of Changes in Net Pension Liability and Related Ratios	77
Schedule of Contributions	78
Nonmajor Governmental Funds	
Combining Balance Sheet	82 – 83
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	84 – 85
Budgetary Comparison Schedules	
General Obligation Debt Service Fund	89
Library Fund	90
Municipal Court Fund	91
Keller Development Corporation	92
TIF #1 Interest and Sinking Fund	93
Park Development Fee Fund	94
Street/Sidewalk Improvements Fund	95
Equipment Replacement Fund	96

CITY OF KELLER, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

TABLE OF CONTENTS
(Continued)
SEPTEMBER 30, 2015

	Table	Page Number
STATISTICAL SECTION (Unaudited)		
Net Position by Component	1	98 – 99
Changes in Net Position	2	100 – 103
Fund Balances of Governmental Funds	3	105
Changes in Fund Balances of Governmental Funds	4	106 – 107
Tax Revenues by Source of Governmental Funds	5	108
Assessed Value and Estimated Actual Value of Taxable Property	6	109
Property Tax Rates – Direct and Overlapping Governments	7	110
Principal Property Taxpayers	8	111
Property Tax Levies and Collections	9	113
Taxable Sales by Category	10	114 – 115
Direct and Overlapping Sales Tax Rates	11	116
Sales Taxpayers by Industry	12	117
Ten Largest Water Customers by Consumption (Usage)	13	118
Ratios of Outstanding Debt by Type	14	119
Ratios of General Bonded Debt Outstanding	15	120
Direct and Overlapping Governmental Activities Debt	16	121
Legal Debt Information	17	122 – 123
Pledged Revenue Coverage	18	124
Demographic and Economic Statistics	19	125

CITY OF KELLER, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

TABLE OF CONTENTS
(Continued)
SEPTEMBER 30, 2015

	Table	Page Number
STATISTICAL SECTION (Unaudited) (Continued)		
Principal Area Employers	20	126
Fulltime Equivalent City Government Employees by Function/Program	21	127
Operating Indicators by Function/Program	22	128 – 129
Capital Asset Statistics by Function/Program	23	130
COMPLIANCE SECTION		
Internal Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*		133 – 134
Schedule of Findings and Reponses		135 - 136

INTRODUCTORY SECTION

April 21, 2016

Citizens of Keller, Honorable Mayor Mark Mathews,
Members of the City Council and City Manager
City of Keller, Texas:

The Comprehensive Annual Financial Report for the City of Keller, Texas (the City) for the fiscal year that ended September 30, 2015, is hereby submitted. Article VII, Section 8.15 of the Charter of the City of Keller requires an annual audit of all accounts of the City by an independent certified public accountant, selected by the City Council. This report is intended to meet that requirement, and the independent auditor's report has been included in this report. This report was prepared through the cooperative efforts of the City's Finance Department and independent auditors. The purpose of the report is to provide the City Council, management, staff, citizens, bondholders, and other interested parties with detailed information concerning the financial condition and activities of the City.

Responsibility for the accuracy and reliability of the presented data in this report, completeness and fairness of this report, and all disclosures, rests with City management. The City has established and maintains a system of internal accounting controls designed in part to provide a reasonable assurance that assets are safeguarded against loss, theft, or unauthorized use and that financial records can be relied upon to produce financial statements in accordance with generally accepted accounting principles (GAAP). The concept of reasonable assurance recognizes that the cost of maintaining the system of internal accounting controls should not exceed the benefits likely to be derived.

We believe the data, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Pattillo, Brown, & Hill, L.L.P., Certified Public Accountants, have issued an unqualified ("clean") opinion on the City's financial statements for the fiscal year ended September 30, 2015. The independent auditor's report is located at the front of the financial section of this report.

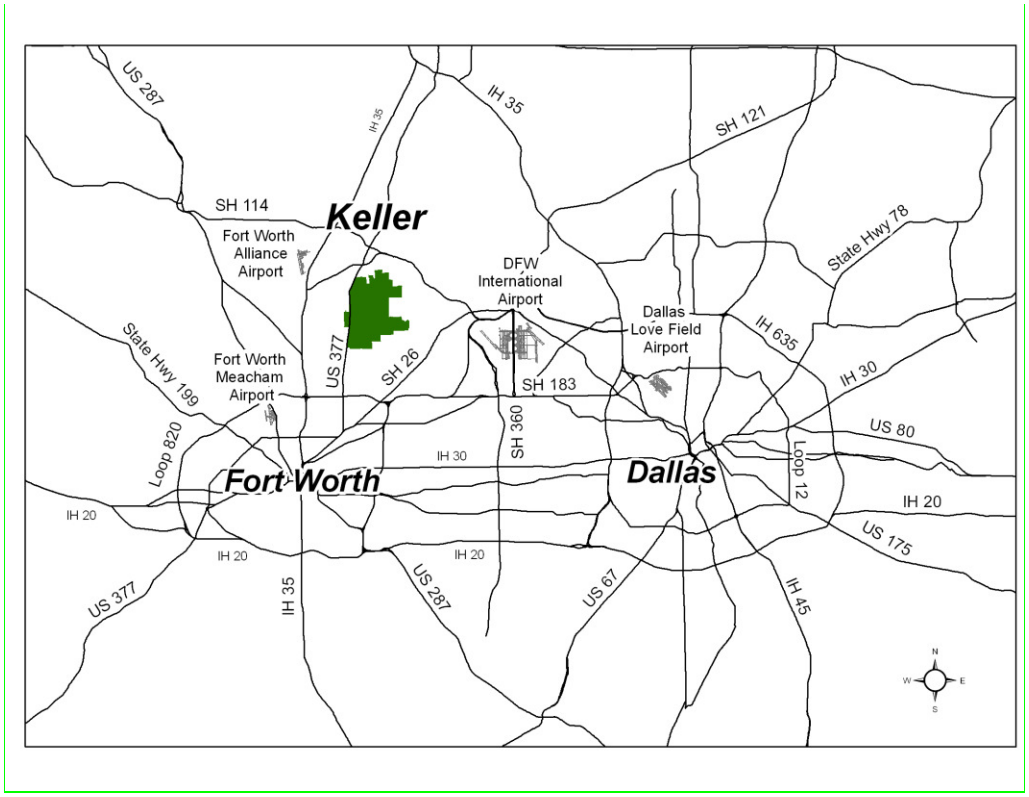
The comprehensive annual financial report (CAFR) is organized in three sections: *Introductory, Financial and Statistical*. Included in the *Financial* section is the Management's Discussion and Analysis (MD&A), which provides users a narrative introduction, overview and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

City Profile

The City was incorporated on November 16, 1955, under the general laws of the State of Texas, and the current home-rule charter was approved by the voters in 1982 and most recently amended in 2010. The City operates under the Council-Manager form of government. The Keller City Council is composed of a Mayor and six Council members in places designated as 1 through 6, all elected at-large by registered voters within the city limits of Keller. The Mayor and all Council members are elected for staggered three-year terms. The Mayor and City Council members, places 5 and 6, were elected for the initial three-year term in 2014 (terms expire May 2017). City Council members, places 1 and 2, were elected in 2012 (terms expire May 2015), and Council places 3 and 4 were elected in 2013 (terms expire May 2016). Under the provisions of the City Charter, and subject only to the limitations imposed by the Texas Constitution, State law and the City Charter, the City Council enacts local legislation, adopts the annual operating budget and sets policy. The City Manager, appointed by the City Council, is responsible to the Council for proper administration of the City's daily affairs and appointment of heads of the various departments.

The City of Keller enjoys renown for being a good place to live and work, delivering big-city comforts with small-town charm. Keller has been named to CNN/Money Magazine's biennial listing of "Top 100 Places to Live — America's Best Small Towns" three times since 2007. Recent awards have included spots in The Dallas Morning News' "Top 10 Neighborhoods" and D Magazine's "Best Suburbs" rankings, mentions in ZoomTens' "Best Cities in America to Raise a Family" and Nerd Wallet's "Best Places for Young Families in Texas" lists, recognition as one of the Top 10 Safest Places in Texas by real estate website Movoto, certification as a Gold-level Scenic City by the Scenic Texas organization and more.

Some of the items that contributed to these rankings include our extremely low crime rate, an excellent park and trail system, diverse and affordable housing opportunities, and an overall high quality of life. This ranking is a reflection of the dynamic community that Keller is becoming and its premier location in the heart of the DFW Metroplex. Keller is approximately midway between the Dallas/Fort Worth International and Alliance airports, both major employers for our community. The city is traversed by several major traffic corridors, including US Highway 377 (US 377) and Farm-to-Market Road 1709 (FM 1709). The city's quality school system, high residential growth rate, business-friendly atmosphere and low taxes make Keller an inviting destination for new commercial development projects.



The City of Keller is located in Northeast Tarrant County, Texas, approximately 10 miles north of Fort Worth on US 377, and 25 miles northwest of downtown Dallas. It is part of the 12-county "Metroplex" of North Central Texas, which includes the cities of Fort Worth and Dallas as well as surrounding communities, with an estimated population in the 12 county MPA exceeding 6.8 million in January 2015. The city limits of Keller currently encompass approximately 19 square miles.

The City provides a full range of municipal services, including general government, public safety (police and fire), streets, parks and recreation, community development, planning and zoning, code enforcement, public library, and business-type activities such as water, sewer and drainage utilities. Sanitation collection services are provided through a private contractor; customers contract through the City, with collection fees added to their municipal water, sewer and drainage utility bills.

Local Economy

Keller, part of the Dallas/Fort Worth Metroplex, maintains a very strong economy and is ranked as one of the fastest growing cities in the Metroplex. A favorable personal and corporate tax climate, excellent schools, favorable right to work laws and a strong continuing commitment to business make the City and State of Texas prime areas in which businesses locate.

According to the Texas Workforce Commission, the City's civilian labor force was 21,682 in December 2015, compared to a total civilian labor force for Tarrant County of 996,134. Keller's unemployment rate in January 2016 was 3%, compared to the Tarrant County rate of 3.7%, a statewide rate of 4.2% and a nationwide rate of 4.8%. The unemployment rates for Keller and Tarrant County are not seasonally adjusted.

The City continues to experience an increase in population. Official Census reported population figures of 27,345 for 2000 and 39,627 for 2010. The January 2015 population estimate was

42,890, representing an increase of 15,545 (56.8%) since the 2000 Census. The following table presents Keller's official Census population since 1970, as well as the current year estimated population.

	Population	Increase (Decrease)	Percent Change
1970 Census	1,474	NA	NA
1980 Census	4,156	2,682	182.0%
1990 Census	13,683	9,527	229.2%
2000 Census	27,345	13,662	99.8%
2010 Census	39,627	12,282	44.9%
2015 Estimate	42,890	3,263	8.2%

Since 1970, the total population increase has exceeded 41,416. This increasing population trend is anticipated to persist for several years, although at a slower pace. Tarrant County has experienced similar growth during the last 40 years, increasing from 715,587 in 1970 to 1,809,034 in 2010, and an increase of more than 167%. According to the North Central Texas Council of Governments' population projections, the population of Tarrant County in 2015 is anticipated to be 1,905,750, an increase of 21,130 or 1.1% over 2014.

Another factor in measuring the local economy is its overall real market value. Since 2000, the market value of property within Keller has more than doubled. Most of the increase has been the result of new residential development. Market values provide a better indication of new development than do taxable values, since taxable values are derived after deducting the various allowable exemptions. Market values provide the total estimated actual (market) values of all properties within the City. For Keller, this growth trend moderated in recent years. The following table provides the total market values of the City of Keller since 2005.

Year Ended September 30	Market Value (000's)	Percent Change
2005	$ 2,939,038.3	6.3%
2006	3,187,969.2	8.5
2007	3,496,065.1	9.7
2008	3,860,670.4	10.4
2009	4,184,988.6	8.4
2010	4,348,033.1	3.9
2011	4,312,624.5	(0.8)
2012	4,384,679.0	1.7
2013	4,497,066.1	2.6
2014	4,658,547.1	3.6
2015	5,179,448.1	11.2

As shown, the rates of change in the City's total market value are now improving, evidenced with a 11.2 percent increase in 2015 over prior year. The rates of increase in taxable values can impact the City's general fund operations significantly, since property tax revenues comprise approximately 45.7% of the total revenues for the General Fund. City management continuously monitors local economic trends in order to maintain adequate fund balance reserve levels and to meet policy targets.

The City is approximately 85% developed and continues to grow primarily as a residential community. Most residents are employed by major companies located within a 15-mile radius of the City. Several manufacturing firms are located in the Keller area, as well as a variety of commercial establishments, medical facilities, restaurants, retail shops and grocery stores. The City continues to encourage quality commercial growth, which will benefit the entire community.

The value of new construction is included in both market and net taxable values. The net taxable value of new construction for calendar year 2014 (fiscal year 2015) was $180.8 million, compared to $78.3 million for calendar year 2013 (fiscal year 2014).

The net assessed taxable value for calendar year 2014 (fiscal year 2015) increased slightly by 6.8%, compared to an increase of 3.8% in calendar year 2013 (fiscal year 2014). The City has been able to maintain stable property values over the past three years. As a result, property tax revenues were sufficient to produce the level of funding necessary to meet the significant 2014 and 2015 goals of the City Council; lower the property tax rate at $0.43469 per $100 of taxable value; and adhere to the financial/budget targets to ensure the fiscal stability of the City's operations.

The expansion of business, retail and commercial growth has also resulted in increases in sales tax collections. Total sales tax collections in calendar year 2015 represent the largest calendar year amount in the City's history, with collections totaling more than $10.7 million; up from 2014 collections totaling $8.7 million.

Long-term Financial Planning

The City maintains a five-year Capital Improvement Program (CIP). The CIP has been used exclusively as a planning tool, and therefore does not commit the City to any project or project funding. The intent of the CIP is to identify and prioritize specific capital improvements needed during the subsequent five years. The CIP is not a capital budget, and as such, only recommends projects, project costs and the proposed means of financing improvements. Recommended improvements are not approved until official action has been taken by the City Council to authorize funding for the improvement.

The five-year capital improvements program (CIP) for fiscal years 2014-15 through 2018-19 was developed by City staff and reviewed and adopted by the City Council as a part of the fiscal year 2014-15 budget. The total five-year program for FY 2015 identified $27.8 million of proposed improvements. Additionally, $119 million of improvements were also identified in out-years (beyond five years).

When considering future financial impacts on operations resulting from issuing debt obligations for capital improvements, the Finance Department prepares an internal five-year financial forecast for the General and Debt Service Funds. The forecast is also used as an informational planning tool for the City Council.

Relevant Financial Policies

The City has strong financial management policies that provide the basis for the City's financial operations.

The unassigned fund balance in the General Fund (representing 107 days of total General Fund expenditures) currently exceeds the requirements of the City's Financial Management Policies adopted by the City Council for budgetary and planning purposes (i.e., 70 days of General Fund

expenditures). In addition to providing financial stability and sustainability during difficult economic times, the City may use available fund balance reserves as a means to fund one-time, non-recurring projects or expenditures.

In December 2008, the City Council adopted a Financial Management Contingency Plan. The primary purpose of the Plan is to guide planning efforts for City management and is intended to assist in budget balancing strategies during periods of economic uncertainty. During fiscal year 2014-15, no specific provisions of the Contingency Plan were enacted.

In May 2012, the City's financial management policies were amended to increase the required unassigned fund balance in the General Fund from 60 to 70 days of expenditures. In May 2013, the City Council adopted an official GASB 54 fund balance policy. The required unassigned fund balance of 70 days of expenditures remained unchanged.

Major Initiatives

Revenue growth slightly increased over the past year. However, many new capital outlay items as well as capital project improvements were delayed due to funding constraints.

During 2014-15, $4,586,630 of one-time expenditures were appropriated from fund balance in the General Fund for the following purposes: 1) economic development incentives $1,000,000, 2) economic development incentives due developers $300,000, 3) vehicle and equipment replacement $386,630, 4) Keller Town Center core commercial viability enhancements $100,000, 5) Old Town Keller West improvements $1,500,000, 6) transfer to the fleet replacement fund Phase II $300,000, 7) transfer to the debt service fund for possible debt retirement $1,000,000.

Accounting System and Budgetary Control

The annual budget of the City serves as the foundation for its financial planning and control. The budget is proposed by the City Manager and adopted by the City Council in accordance with policies and procedures established by the City Charter, Council ordinances and policies. The budget is prepared and presented by fund (e.g., general fund), department (e.g., police) or function (e.g., debt service), and major cost category (e.g., personnel services). The budgetary process begins each year with the preparation of revenue estimates and budget instructions by the City's Finance Department staff, and expenditure estimates and requests by each City department. Estimates and requests are reviewed by the City Manager and evaluated within the total financial framework of the City. The City Manager makes final decisions regarding the budget recommendations that are submitted to the City Council. The City Charter requires that the City Manager's proposed budget be filed with the City Secretary no later than August 15. The City Manager's proposed budget is reviewed by the City Council and followed by a final public review process, including a required public hearing prior to budget adoption. The City Charter requires adoption of the City budget no later than the twenty-seventh (27) day of the last month of the fiscal year.

Budgetary reporting is provided at the department level within the individual fund. The legal level of control for budgeted expenditures is at the fund level. Transfers of budget appropriations within funds may occur with the approval of the City Manager provided there is no increase in overall expenditures. Transfers of budget appropriations between funds, as well as any increase in total appropriations, require a formal budget amendment adopted by the City Council. Unless otherwise noted, except for capital projects funds, all appropriations lapse at

year-end and excess funds become available for re-appropriation in the subsequent year. At year-end, encumbrances remaining are re-appropriated in the subsequent year.

Near the end of each fiscal year, as the budget for the ensuing fiscal year is being considered and adopted, the City Council traditionally adopts a current year revised budget by ordinance. Although not required by City Charter or policy, this revised budget presents a more accurate picture of the City's financial position at the end of the current year than does the original adopted budget. For the fiscal year that ended September 30, 2015, a revised budget was approved and adopted by the City Council on September 15, 2015. The revised budget amounts are used throughout this report, where applicable, in the budget to actual comparisons. The report provides comparative information on the original adopted and revised budget where applicable.

Budget to actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund, this comparison is presented as required supplementary information. For governmental funds other than the general fund, with appropriated annual budgets, this comparison is presented in the major and non-major governmental fund sections of this report. All applicable financial targets were met or exceeded. Additional information regarding the annual budget is provided in the MD&A. For fiscal year 2015-2016, the City adopted a tax rate of $0.43469 per $100 of taxable value, a slight decrease from the previous year’s rate of $0.43719 per $100 of taxable value.

Finance Committee

The City Council formed a Finance Committee as a sub-committee of the City Council. The committee is composed of two Council members appointed by the City Council, the City Manager, the Finance Director and the Mayor. The committee functions as an audit committee and reviews all recommendations made by the independent auditors. The committee also serves as the City’s investment committee, and reviews other periodic investment and financial reports.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended that September 30, 2014; a reproduction of the certificate accompanies this report.

The City has received a Certificate of Achievement for twenty-six (26) consecutive fiscal years (FY1989 through FY2014). In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized comprehensive annual financial report (CAFR), the contents of which must conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for the period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition to the Certificate of Achievement, the City also received GFOA's Distinguished Budget Presentation Award for its fiscal year 2014 annual budget document. In order to qualify for the award, the City's budget document was judged to be proficient in several categories,

including policy documentation, financial planning and as an operations guide. The City has received the award for nineteen (19) consecutive fiscal years (FY1997 through FY2014). Recognition by GFOA as evidenced by these two awards is verification of the Finance department's dedication to producing documents that effectively communicate the City's financial condition.

In 2015, the City received the Texas State Comptroller's Leadership Gold Circle Award for financial transparency for the fifth consecutive year. This award is presented to cities in Texas that meet certain criteria for providing financial reporting information to its citizens. These financial reports include annual budgets, comprehensive annual financial reports, and online check registers and payroll information.

The City's bonds are rated by both Moody's and Standard and Poor's. Moody's bond rating is Aa1, while Standard and Poor's bond rating is AAA. Both rating categories classify the City's debt obligations as high-quality investment grade. In December 2014, these ratings were confirmed by the respective rating agencies.

The preparation of this report could not be accomplished without the dedicated services of the entire staff of the Finance Department. Many individuals devoted extra hours and exhibited dedicated effort in ensuring the accuracy and timeliness of this report. Appreciation is expressed to City employees throughout the organization, especially those responsible for the maintenance of records upon which this report is based. Acknowledgment is also given to representatives of Pattillo, Brown & Hill, Certified Public Accountants, for their dedicated assistance in producing this report.

Finally, our appreciation is extended to the Mayor, City Council, and City Manager Mark Hafner for their interest and support in planning and conducting the financial operations of the City of Keller in a responsible and progressive manner.

Respectfully submitted,

Mark Hafner
City Manager

Pamela McGee
Finance/Purchasing Manager

Government Finance Officers Association

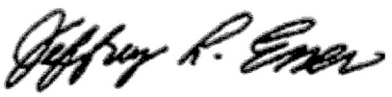
Certificate of Achievement for Excellence in Financial Reporting

Presented to

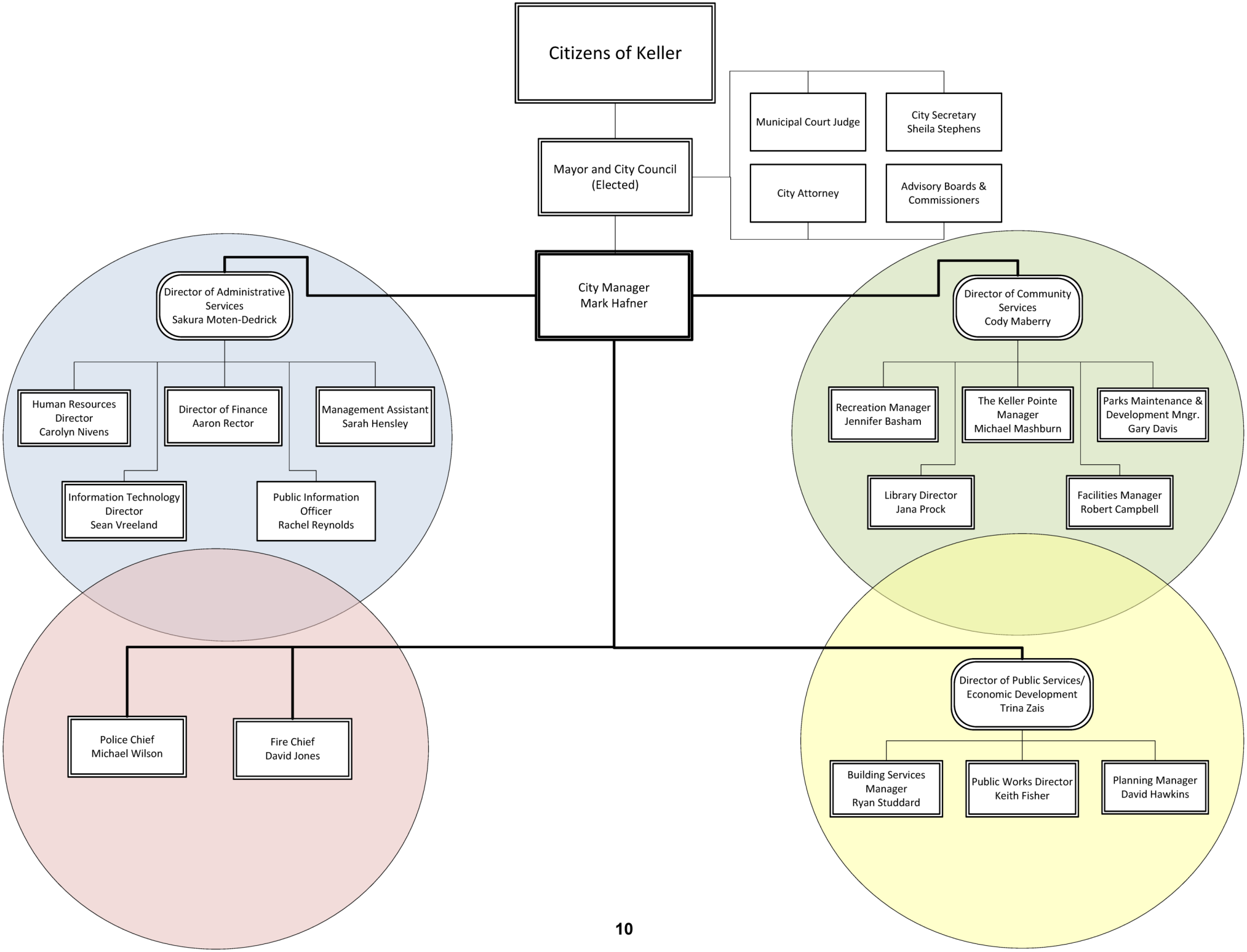
City of Keller Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2014



Executive Director/CEO


Citizens of Keller
Municipal Court Judge
City Secretary
Sheila Stephens
Mayor and City Council
(Elected)
City Attorney
Advisory Boards &
Commissioners
City Manager
Mark Hafner
Director of Administrative
Services
Sakura Moten-Dedrick
Director of Community
Services
Cody Maberry
Human Resources
Director
Carolyn Nivens
Director of Finance
Aaron Rector
Management Assistant
Sarah Hensley
Recreation Manager
Jennifer Basham
The Keller Pointe
Manager
Michael Mashburn
Parks Maintenance &
Development Mngr.
Gary Davis
Information Technology
Director
Sean Vreeland
Public Information
Officer
Rachel Reynolds
Library Director
Jana Prock
Facilities Manager
Robert Campbell
Police Chief
Michael Wilson
Fire Chief
David Jones
Director of Public Services/
Economic Development
Trina Zais
Building Services
Manager
Ryan Studdard
Public Works Director
Keith Fisher
Planning Manager
David Hawkins

CITY OF KELLER, TEXAS

PRINCIPAL OFFICIALS

SEPTEMBER 30, 2015

Name	Title
Elected Officials:	
Mark Matthews	Mayor
Debbie Bryan	Council Member, Place 1
Armin Mizani	Council Member, Place 2
Tom Cawthra	Council Member, Place 3
Bill Dodge	Council Member, Place 4
Bill Hodnett	Council Member, Place 5
Rick Barnes	Council Member, Place 6 and Mayor Pro Tem
Appointed Officials:	
Mark Hafner	City Manager
Sakura Moten-Dedrick	Director of Adminstrative Services
Trina Zais	Director of Public Services
Keith Fisher, P.E.	Director of Public Works
David Jones	Fire Chief
Michael Wilson	Police Chief
Cody Maberry	Director of Community Services
Sean Vreeland	Director of Information Services
Carolyn J. Nivens	Director of Human Resources
Aaron M. Rector	Director of Finance
Jana Prock	Library Director
Sheila Stephens	City Secretary
Other Appointed Officials:	
Boyle and Lowry, L.L.P.	City Attorney
First Southwest Company	Financial Advisors
Valley View Consulting, L.L.C.	Investment Advisors
McCall, Parkhurst & Horton, L.L.P.	Bond Counsel

THIS PAGE LEFT BLANK INTENTIONALLY

FINANCIAL SECTION

PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City Council
City of Keller, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Keller, Texas, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Keller, Texas' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Keller, Texas, as of September 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

WACO, TX
401 West Highway 6
Waco, Texas 76710
254.772.4901
www.pbhcpa.com

HOUSTON, TX
281.671.6259

RIO GRANDE VALLEY, TX
956.544.7778

TEMPLE, TX
254.791.3460

ALBUQUERQUE, NM
505.266.5904

AICPA®
Governmental Audit Quality Center

Change in Accounting Principle

As discussed in Note I to the financial statements, in 2015 the City adopted new accounting guidance, Governmental Account Standards (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27 and* Governmental Account Standards (GASB) Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in net pension liability and related ratios and schedule of contributions on pages 19 – 29 and 74 – 78 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Keller, Texas' basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 21, 2016, on our consideration of the City of Keller, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Keller, Texas' internal control over financial reporting and compliance.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
April 21, 2016

THIS PAGE LEFT BLANK INTENTIONALLY

MANAGEMENT'S DISCUSSION AND ANALYSIS

THIS PAGE LEFT BLANK INTENTIONALLY

MANAGEMENT'S DISCUSSION AND ANALYSIS

As Management of the City of Keller, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2015. It should be read in conjunction with the accompanying transmittal letter and basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of Keller exceeded its liabilities and deferred inflows at the close of the fiscal year ended September 30, 2015, by $206,540,285 (net position). Of this amount, $19,320,025 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.

- The City's total net position increased by $5,528,247, or 2.80% for the year ended September 30, 2015. The net position of governmental activities increased $6,483,818, or approximately 5.46%. This increase in net position resulted in part from an increase in total revenues. The total net position of business-type activities decreased by $955,571, or 1.16%. The decrease was largely due to a decrease in capital grants and contributions of $3,734,088.

- As of September 30, 2015, the City's governmental funds reported combined ending fund balances of $43,631,865. Approximately 22.74% of this total amount, $9,923,578, is unassigned and available for use within the City's designation and policies. Restrictions for (1) general government, $149,678; (2) debt service, $1,382,935; (3) capital acquisition and construction, $15,784,265; (4) recreation and leisure, $25,732; and (5) public safety, $3,496,240, total $20,838,850, and represent 47.76% of the total fund balance.

- Total cost of all the City's programs was $68,642,290 in 2015, compared to $58,644,050 in 2014.

- At the end of the current fiscal year, unassigned fund balance in the General Fund was $9,923,578, or 32.39% of total expenditures. This represents an increase of $3,793,616, or 23.22% from the prior fiscal year due in part to determined efforts by the department to closely monitor expenditures throughout the year, combined with the transfer of some major capital improvement projects to fiscal year 2014-2015.

- The City's total bonded debt outstanding (excluding bond premiums and discounts) increased by $5,024,285, or 5.53% during the current fiscal year, primarily the result of debt issued and the increase in the TMRS liability.

- As a result of adopting new accounting guidance for pensions, Governmental Accounting Standards (GASB) Statement No.68, the City's beginning net position decreased by $8,975,205.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to private-sector business. The government-wide financial statements provide both long-term and short-term information about the City's overall financial status. The fund financial statements focus on individual parts of the City's government, reporting operations in more detail than the government-wide statements. In addition to these required elements, we have included other information such as the City's long-term debt schedules, and a statistical section, which primarily through the use of tables, presents comparative economic and financial data to provide users of this report a perspective of the City's financial performance over a number of years.

The Statement of Net Position presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the fiscal year. All of the current year's revenues and expenses are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

- ***Governmental activities –*** These are functions such as public safety, public works, community development, general government, and recreation and leisure, including the Keller Public Library, and interest and fiscal charges that are principally supported by taxes and intergovernmental revenue.

- ***Business-type activities –*** These functions are intended to recover all or a significant portion of their costs through user fees and charges. Business-type activities of the City include water and sewer utilities, and drainage utility operations, and the recreation/aquatic center.

The government wide financial statements can be found on pages 33 – 35 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Keller, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Keller can be divided into two categories: governmental funds and proprietary funds. The fund financial statements provide more detailed information about the City's most significant funds and will be more familiar to traditional users of government financial statements. The focus is now on major funds rather than fund types.

- **Governmental funds** – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

  Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 15 governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General, General Obligation Debt Service, and Crime Control Prevention District Special Revenue Funds, all of which are considered to be major funds. Data from the other 12 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

- **Proprietary funds –** There are two types of proprietary funds, Enterprise Funds and Internal Service Funds. The City maintains only one type of proprietary fund. Enterprise Funds are used to report the same functions as business-type activities in the government-wide financial statements. The City uses Enterprise Funds to account for the Water and Sewer, Drainage Utilities, and Recreation/Aquatic Center Funds. The City has no Internal Service Funds.

  Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The Enterprise Fund financial statements provide separate information for the Water and Sewer Utilities, Drainage Utility, and Recreation/ Aquatic Center Funds, since all are considered major funds of the City.

The City's basic proprietary fund financial statements can be found on pages 42 – 45 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements on pages 47 – 71 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Keller's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 74 – 78. The combining statements referred to earlier in connection with non-major governmental funds are presented following the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. In the case of the City of Keller, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $206,540,285 as of September 30, 2015.

The largest portion of the City's net position, $157 million, or 75.86%, reflects its investment in capital assets (e.g., land, buildings, equipment, improvements, construction in progress, and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position, $31 million, or 14.78%, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position, $19 million, 9.35%, may be used to meet the City's ongoing obligations to citizens and creditors.

Governmental activities total assets increased by $2,480,395, or 1.25% during fiscal year 2015. The increase in total assets of governmental activities resulted primarily from an increase in cash and investments, combined with a slight decrease in total capital assets. The decrease in net capital assets of $6,268,635, (3.92%) is net of accumulated depreciation, a non-cash expense. During the year, total capital assets decreased primarily due to increased depreciation. Total liabilities of governmental activities increased $4,475,066, or 6.05%. Non-current governmental activities' liabilities increased by $4,539,982, or 6.42%. The increase in liabilities of governmental activities is primarily due to the issuance of debt and TMRS liability.

Business-type activity total assets decreased by $1,218,731, or 1.12%. Total current assets decreased $407,580, or 1.31%, while total capital assets decreased $811,151, 1.04%, respectively. Net position of business-type activities decreased $2,589,530, (3.08%). The decrease in current and other assets is primarily due to decreases in cash assets. The total liabilities for business-type activities increased $1,701,806, 6.72%, primarily due to an increase in non-current liabilities (outstanding long-term debt).

The following table reflects the condensed Statement of Net Position:

CITY OF KELLER'S NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Current and other assets	$ 47,390,883	$ 38,641,853	$ 30,672,072	$ 31,079,652	$ 78,062,955	$ 69,721,505
Capital assets	153,559,499	159,828,134	77,259,883	78,071,034	230,819,382	237,899,168
Total assets	200,950,382	198,469,987	107,931,955	109,150,686	308,882,337	307,620,673
Total deferred outflows of resources	3,381,247	1,551,287	619,160	156,697	4,000,407	1,707,984
Long-term liabilities	75,250,965	70,710,983	20,584,927	20,100,624	95,835,892	90,811,607
Other liabilities	3,242,462	3,307,378	6,439,932	5,222,429	9,682,394	8,529,807
Total liabilities	78,493,427	74,018,361	27,024,859	25,323,053	105,518,286	99,341,414
Total deferred inflows of resources	692,717	-	131,456	-	824,173	-
Net position:						
Net investment, in capital assets	94,005,152	96,268,556	62,680,465	58,172,320	156,685,617	154,440,876
Restricted	29,365,446	22,061,750	1,169,197	7,781,518	30,534,643	29,843,268
Unrestricted	1,774,887	7,672,607	17,545,138	18,030,492	19,320,025	25,703,099
Total net position	$ 125,145,485	$ 126,002,913	$ 81,394,800	$ 83,984,330	$ 206,540,285	$ 209,987,243

Analysis of the City's Operations – The following table provides a summary of the City's operations for year ended September 30, 2015. Overall the City had an increase in net position of $5,528,247.

CITY OF KELLER'S CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	$ 4,961,205	$ 5,886,557	$ 26,076,198	$ 26,145,587	$ 31,037,403	$ 32,032,144
Operating grants and contributions	3,373,672	3,590,362	-	-	3,373,672	3,590,362
Capital grants and contributions	285,924	251,533	1,243,665	4,977,753	1,529,589	5,229,286
General revenues:						
Ad valorem taxes	22,777,252	21,526,556	-	-	22,777,252	21,526,556
Sales taxes	10,660,047	9,817,716	-	-	10,660,047	9,817,716
Other taxes	3,614,430	3,286,220	-	-	3,614,430	3,286,220
Investment earnings	861,938	180,677	80,990	121,260	942,928	301,937
Miscellaneous	164,711	240,932	54,614	42,688	219,325	283,620
Gain (loss) on sale of capital assets	15,891	98,274	-	-	15,891	98,274
Total revenues	46,715,070	44,878,827	27,455,467	31,287,288	74,170,537	76,166,115
Expenses:						
General government	9,224,860	7,011,362	-	-	9,224,860	7,011,362
Public safety	20,941,821	16,756,956	-	-	20,941,821	16,756,956
Public works	3,138,376	2,490,468	-	-	3,138,376	2,490,468
Community development	1,870,887	1,357,417	-	-	1,870,887	1,357,417
Recreation and leisure	5,855,468	4,938,515	-	-	5,855,468	4,938,515
Interest on long-term debt	2,542,830	2,882,936	-	-	2,542,830	2,882,936
Water and sewer	-	-	20,294,433	18,496,707	20,294,433	18,496,707
Drainage utility	-	-	2,172,976	2,040,218	2,172,976	2,040,218
Recreation/aquatic center	-	-	2,600,639	2,669,471	2,600,639	2,669,471
Total expenses	43,574,242	35,437,654	25,068,048	23,206,396	68,642,290	58,644,050
Increases in net position before transfers	3,140,828	9,441,173	2,387,419	8,080,892	5,528,247	17,522,065
Transfers	3,342,990	3,826,555	(3,342,990)	(3,826,555)	-	-
Change in net position	6,483,818	13,267,728	(955,571)	4,254,337	5,528,247	17,522,065
Net position, beginning	126,002,913	113,644,658	83,984,330	80,014,050	209,987,243	193,658,708
Prior period adjustment	(7,341,246)	(909,473)	(1,633,959)	(284,057)	(8,975,205)	(1,193,530)
Net position, beginning as restated	118,661,667	112,735,185	82,350,371	79,729,993	201,012,038	192,465,178
Net position, ending	$ 125,145,485	$ 126,002,913	$ 81,394,800	$ 83,984,330	$ 206,540,285	$ 209,987,243

Government Activities

Government activities increased the City's net position by $6,483,818, or 5.46% from the prior year. Total governmental revenues increased $1,836,243, 4.09%. Major increases in revenues were capital grants and contributions of $34,391, ad valorem (property) taxes of $1,250,696 and sales taxes of $842,331.

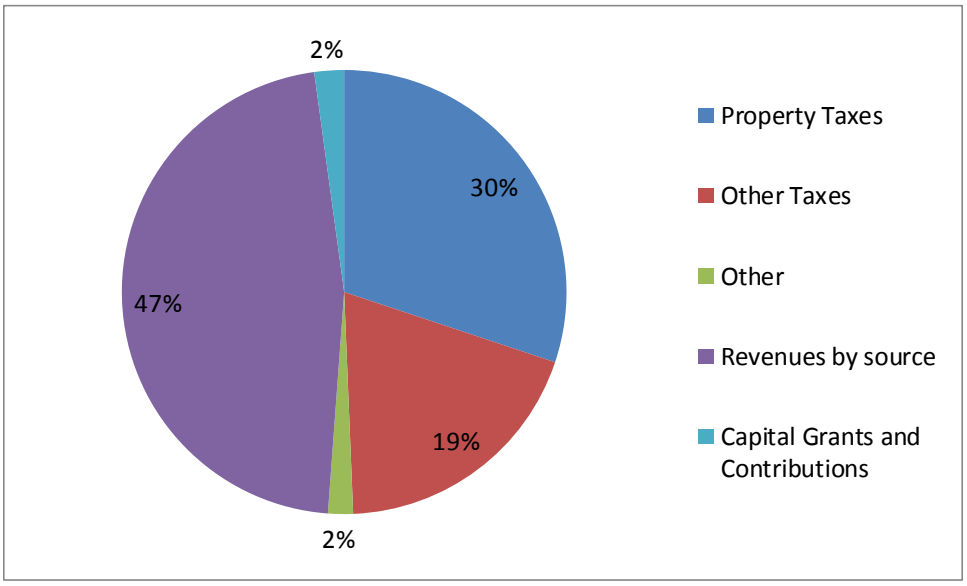
Total governmental expenses increased by $8,136,588, 22.96%. The largest change in expenses was an increase of $4,184,865, or 24.97% in public safety expenses. General government expenses increased $2,213,498, or 31.57%. Public works expenses increased $647,908, or 26.02%.

Business-type Activities

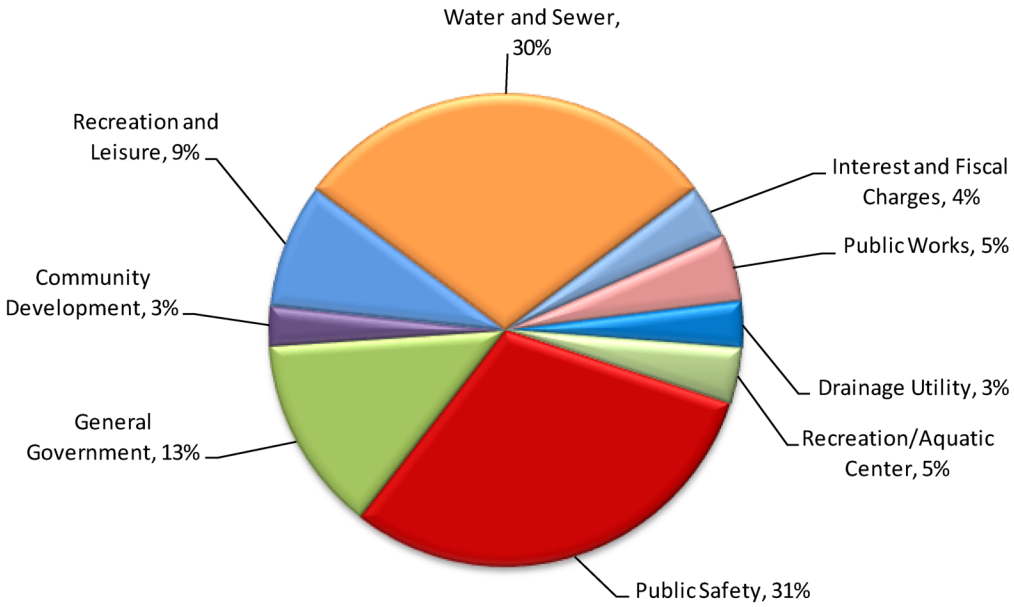
Net position from business-type activities decreased by $955,571, or (1.16%). Total expenses increased by $1,861,652, or (8.02%). Total revenues decreased $3,831,821, (12.25%). Capital grants and contributions from developers decreased $3,734,088, or 75.02% due a decrease of new development concurring within the City. Charges for services decreased $69,389, or 0.27% primarily due to a decrease in demand for water usage.

The following table provides a summary of the City's operations for the year ended September 30, 2015:

Total Revenues $74,170,537



Total Expenses $68,642,290



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City of Keller uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus on the City of Keller's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $43,631,865, an increase of $8,755,031, or 25% in comparison with the prior year. Approximately 47.76%, or $20,838,850 of this total fund balance is restricted to indicate that it is not available for new spending because it has already been committed to: 1) general government, $149,678; 2) debt service, $1,382,935; 3) to pay for capital acquisition and construction, $15,784,265; 4) recreation and leisure, $25,732; and 5) for public safety, $3,496,240. Approximately 22.74% of the total amount, $9,923,578, constitutes unassigned fund balance, which is available for appropriation by the City Council. A portion of this unassigned fund balance, while not legally obligated, could be used for future one-time, non-recurring expenses, or capital projects.

In the General Fund, the City budgeted for a fund balance increase in the current year of $692,084. One of the City's financial policies requires that the City maintain an unassigned fund balance equal 70 days of operating expenditures. The actual unassigned fund balance exceeds this benchmark. Because overall actual revenues exceeded the final budget revenues, combined with actual expenditures less than final budget expenditures, the actual fund balance increased by $3,793,616 from the final budget estimate. Total expenditures were under the final budget by $2,524,830. This resulted in positive total actual expenditure variances from the final budget. The most significant variances were $553,467 for capital outlay and $614,450 for public safety. Capital outlay was below budgeted expenditures primarily because several public works projects were begun late in the fiscal year and as a result the actual capital expenditures will occur in fiscal year 2015-2016. Public safety expenditures were below budgeted expenditures due to determined efforts by the department to closely monitor expenditures throughout the year. The most significant positive revenue variance was intergovernmental $198,622. The only negative revenue variance was permits, licenses and fees (-$5,877). The amount of excess fund balance exceeding the fiscal year 2015 budget will be addressed during fiscal year 2015-2016 budget deliberations.

The Crime Control Prevention District Fund balance increased by $384,445 in 2015 primarily due to a decrease in expenditures

The Debt Service fund balance decreased by $343,277 in 2015 primarily due to a planned (budgeted) decrease in the fund balance. In fiscal year 2014-15, the City issued additional debt.

Enterprise Funds

The City's Enterprise Fund statements provide the same type information found in the government-wide financial statements, but in more detail.

Total unrestricted net position of Enterprise Funds were $17,545,138. Unrestricted net position of the respective major funds are: Water and Wastewater, $13,870,182; and Drainage Utility, $2,618,925. The Water and Wastewater operations had a decrease in net position of $963,270, or 1.46%, while the Drainage Utility had an decrease in net position of $370,673, or 2.36%. The decrease in net position of the Water and Wastewater and Drainage Utility resulted primarily from the TMRS net pension liability.

General Fund Budgetary Highlights

In fiscal year 2015, the City Council approved revisions to the original budget appropriations. Although not required by official City policy or Charter, the annual budget is traditionally amended by the City Council toward the end of the fiscal year, in conjunction with the review and adoption of the subsequent year's budget. During the current year review process, all revenue sources and line-item expenditures are reviewed and adjusted to account for increases and/or decreases occurring during the year. As a result, a revised (final) budget, which reflects the recommended changes made to the original adopted budget, is usually adopted each September. The revised budget amounts are used throughout this report as the amended adopted (final) budget.

Significant budget changes were:

- The original General Fund adopted budget included a net increase of $701,084 in fund balance, while the final budget reflected an increase of $692,084 in fund balance, a difference of $9,000.
- Total final budgeted expenditures (including transfers out) increased by $9,000 over the original budget.

Significant budget variances:

- Total actual revenues and transfers in exceeded the final budgeted amounts by $605,484, or 1.77%. The most significant favorable revenue variances were intergovernmental revenue $198,622, charges for services $111,968, and fines and forfeitures $111,968.

  In total, actual expenditures were less than budgeted by $2,524,830. Capital outlay expenditures were below budgeted expenditures because several capital projects were either incomplete at the end of the year, of were transferred to fiscal year 2015-2016. Determined efforts by department managers to closely monitor expenditures throughout the year resulted in positive total actual expenditure variance from the final budget. All departments completed the year with lower actual expenditures compared to the final budget, with total expenditures (including transfers out) approximately 92.6 percent of the final budget amount.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2015, amounts to $230,819,382 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, improvements, improvements other than buildings, and construction in progress. The total decrease in the City's investment in capital assets, net of accumulated depreciation, for the current fiscal year was $7,079,786, or 2.98% (a 3.92% decrease in capital assets for governmental activities and 1.04% decrease in capital assets for business-type activities, respectively).

Capital grants and contributions primarily from developers, for fiscal year 2015, were $1,243,665, a decrease of $3,734,088, or 75.02% from the prior year.

Major capital asset events budgeted during 2014-2015 fiscal year included the following:

- Park improvements/ land acquisition $385,765
- Street improvements $1,815,500
- Curb & gutter improvements $80,000
- Sidewalk improvements $30,000
- Fleet replacement – water utility, $25,400
- Fleet replacement – wastewater utility, $362,500, sewer camera van and related equipment
- Fleet replacement – drainage utility, $171,100, tandem dump truck, work truck
- Mount Gilead Road Greenwalk Trail, $480,000 grant funding, plus $120,000 city matching funds

The five-year capital improvements program (CIP) summary for fiscal years 2015-16 through 2019-20 was provided in the fiscal year 2015-16 budget document. The CIP identifies the estimated costs of proposed future capital projects, and the anticipated method of funding for each project.

City of Keller's Capital Assets
(net of depreciation)

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Land	$ 33,954,758	$ 34,016,592	$ 1,535,270	$ 1,502,301	$ 35,490,028	$ 35,518,893
Buildings	42,493,053	36,700,640	-	-	42,493,053	36,700,640
Equipment	6,498,816	7,028,286	478,896	549,689	6,977,712	7,577,975
Improvements	68,634,581	73,082,284	66,775,871	69,426,319	135,410,452	142,508,603
Capacity rights	-	-	2,440,947	2,597,989	2,440,947	2,597,989
Construction in progress	1,978,291	9,000,332	6,028,899	3,994,736	8,007,190	12,995,068
Total capital assets	$ 153,559,499	$ 159,828,134	$ 77,259,883	$ 78,071,034	$ 230,819,382	$ 237,899,168

Additional information regarding the City's capital assets can be found in Note IV on pages 59 – 60 of this report.

Long-term Debt

At September 30, 2015, the City of Keller had total long-term debt outstanding of $91,118,973. Of this amount, $61,124,840 represents bonds secured by the full faith and credit of the City, and $17,524,160 represents bonds secured solely by self-supporting activities, i.e., the water and sewer revenues. Total outstanding debt of governmental activities decreased -$1,379,237 (-1.89%), while total outstanding debt of business-type activities decreased -$1,331,509 (-6.41%).

City of Keller's Outstanding Debt

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
General obligations	$ 17,231,728	$ 19,970,000	$ 10,759,160	$ 14,480,000	$ 27,990,888	$ 34,450,000
Certificates of obligation	43,893,112	45,353,000	6,765,000	4,624,000	50,658,112	49,977,000
OPEB liability	480,694	397,514	-	-	480,694	397,514
TMRS net pension obligation	10,076,989	7,341,246	1,912,290	1,663,959	11,989,279	9,005,205
	$ 71,682,523	$ 73,061,760	$ 19,436,450	$ 20,767,959	$ 91,118,973	$ 93,829,719

As of September 30, 2015, of the $61,124,840 in outstanding debt of governmental activities backed by the full faith and credit of the City, approximately 43.14%, or $26,369,112 is self-supported debt from the following sources:

Keller Tax Increment Reinvestment Zone No. 1, $13,195,000; and
Keller Development Corporation, $13,174,112.

The City maintains favorable ratings from both Moody's and Standard & Poor's. Both rating categories classify the City's debt obligations as high-quality investment grade.

The City's General Obligation, Combination Tax and Revenue Certificates of Obligation ratings are as follows:

	Investors Service	& Poor's
General obligation bonds (tax supported)	Aa1	AA
Certificates of obligation (tax supported)	Aa1	AA

In December 2014 (the city's most recent rating analysis), these ratings were confirmed by the respective rating agencies.

Additional information on the City of Keller's long-term debt can be found in Note IV on pages 61 – 64 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In the fiscal year 2015-16 budget, general fund budgeted revenues (including transfers in) were budgeted to decrease by $196,683 (0.58%) from the revised (final) 2014-15 budget, with general property taxes comprising about 45.8% of General Fund budgeted revenues and transfers in. Certified taxable assessed valuations (after adjustments) increased 3.02% over the prior year, compared to an increase of 4.25% last year. A small increase of 3.0% was projected for sales tax receipts in fiscal year 2015-16 because sales tax receipts have been on an increasing trend since 2011.

Conservative revenue projections, combined with an effort to maintain ending fund balances as required by the city's financial policies, resulted in an increase in the general fund projected ending unassigned fund balance at September 30, 2016. Expenditures for the 2015-16 adopted budget represents an increase of $304,072, or 0.73% from the 2014-2015 original adopted budget (including one-time expenditures from fund balance for both years). The adopted budget maintains the required ending unassigned fund balance at September 30, 2016 of 70 days of operating expenditures (actual 88.4). The City's FY 2015-16 adopted property tax rate per $100 in property value of $0.43469 is a decrease from the prior year's tax rate of $0.43719. This was possible because the City's conservative budget planning projects an ending unassigned fund balance exceeding the target unassigned fund balance. Including the one-time, non-recurring expenditures the projected unassigned fund balance for the General Fund exceeds the targeted fund balance by approximately 18 days of operations.

The City is able to maintain its financial position because of having a stable tax and retail base, as well as a competitive tax rate. The City's property tax rate for fiscal year 2015-2016 ranks as the third lowest among neighboring Tarrant County area cities.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Keller Finance Department, P. O. Box 770, Keller, Texas 76244-0770, call (817) 743-4025, or email at finance@CityofKeller.com.

THIS PAGE LEFT BLANK INTENTIONALLY

BASIC
FINANCIAL STATEMENTS

THIS PAGE LEFT BLANK INTENTIONALLY

CITY OF KELLER, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and equivalents	$ 271,549	$ 16,077	$ 287,626
Investments	45,286,292	12,366,691	57,652,983
Receivables	4,061,807	5,473,039	9,534,846
Due from other governmental agencies	95,665	-	95,665
Internal balances	(2,451,892)	2,451,892	-
Inventories	101,184	295,700	396,884
Prepaid items	26,278	268,023	294,301
Restricted assets:			
Investments	-	9,800,650	9,800,650
Capital assets:			
Land	33,954,758	1,535,270	35,490,028
Construction in progress	1,978,291	6,028,899	8,007,190
Buildings and improvements	42,493,053	-	42,493,053
Improvements	68,634,581	-	68,634,581
Water and sewer system	-	66,775,871	66,775,871
Machinery and equipment	6,498,816	478,896	6,977,712
Capacity rights	-	2,440,947	2,440,947
Total capital assets	153,559,499	77,259,883	230,819,382
Total assets	200,950,382	107,931,955	308,882,337
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	1,203,061	205,810	1,408,871
Deferred outflows related to pensions	2,178,186	413,350	2,591,536
Total deferred outflows of resources	3,381,247	619,160	4,000,407
LIABILITIES			
Accounts payable and accrued expenses	2,738,687	4,577,456	7,316,143
Unearned revenue	175,661	703,032	878,693
Accrued interest	279,996	84,945	364,941
Customer deposits	48,118	1,074,499	1,122,617
Noncurrent liabilities:			
Due within one year	7,107,462	2,463,705	9,571,167
Due in more than one year	68,143,503	18,121,222	86,264,725
Total liabilities	78,493,427	27,024,859	105,518,286
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	692,717	131,456	824,173
Total deferred inflows of resources	692,717	131,456	824,173
NET POSITION			
Net investment in capital assets	94,005,152	62,680,465	156,685,617
Restricted for:			
Subsequent year appropriations	8,419,447	-	8,419,447
General government	149,678	-	149,678
Capital projects	15,784,265	1,169,197	16,953,462
Debt service	1,490,084	-	1,490,084
Recreation and leisure	25,732	-	25,732
Public safety	3,496,240	-	3,496,240
Unrestricted	1,774,887	17,545,138	19,320,025
Total net position	$ 125,145,485	$ 81,394,800	$ 206,540,285

The accompanying notes are an integral part of these financial statements.

CITY OF KELLER, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2015

Functions/Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Program Revenue: Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	$ 9,224,860	$ 367,463	$ 10,709	$ -
Public safety	20,941,821	2,191,380	2,761,463	-
Public works	3,138,376	82,024	528,271	74,388
Community development	1,870,887	1,775,456	-	-
Recreation and leisure	5,855,468	544,882	73,229	211,536
Interest and fiscal charges	2,542,830	-	-	-
Total governmental activities	43,574,242	4,961,205	3,373,672	285,924
Business-type activities:				
Water and wastewater utility	20,294,433	21,483,165	-	857,895
Drainage utility	2,172,976	1,610,683	-	385,770
Recreation/Aquatic Center	2,600,639	2,982,350	-	-
Total business-type activities	25,068,048	26,076,198	-	1,243,665
Total primary government	$ 68,642,290	$ 31,037,403	$ 3,373,672	$ 1,529,589
General revenues:				
Taxes:				
Property taxes				
Sales taxes				
Franchise taxes				
Alcoholic beverage taxes				
Investment earnings				
Miscellaneous				
Gain (loss) on sale of asset				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position - beginning				
Prior period adjustment				
Net position - beginning, as restated				
Net position - ending				

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
$(8,846,688)	$ -	$(8,846,688)
(15,988,978)	-	(15,988,978)
(2,453,693)	-	(2,453,693)
(95,431)	-	(95,431)
(5,025,821)	-	(5,025,821)
(2,542,830)	-	(2,542,830)
(34,953,441)	-	(34,953,441)
-	2,046,627	2,046,627
-	(176,523)	(176,523)
-	381,711	381,711
-	2,251,815	2,251,815
(34,953,441)	2,251,815	(32,701,626)
22,777,252	-	22,777,252
10,660,047	-	10,660,047
3,421,518	-	3,421,518
192,912	-	192,912
861,938	80,990	942,928
164,711	54,614	219,325
15,891	-	15,891
3,342,990	(3,342,990)	-
41,437,259	(3,207,386)	38,229,873
6,483,818	(955,571)	5,528,247
126,002,913	83,984,330	209,987,243
(7,341,246)	(1,633,959)	(8,975,205)
118,661,667	82,350,371	201,012,038
$ 125,145,485	$ 81,394,800	$ 206,540,285

CITY OF KELLER, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015

	General Fund	Crime Control Prevention District	G.O. Debt Service
ASSETS			
Cash and cash equivalents	$ 19,645	$ -	$ 69,761
Investments	23,053,416	3,265,876	92,702
Receivables, net of allowances for uncollectibles			
Taxes	2,040,031	207,591	119,218
Accounts	857,099	-	-
Interest	10,805	-	180
Other	15,716	-	-
Due from other funds	-	74,730	-
Due from other governments	87,574	-	-
Inventory	101,184	-	-
Prepaid items	26,278	-	-
Total assets	$ 26,211,748	$ 3,548,197	$ 281,861
LIABILITIES			
Accounts payable	$ 1,123,610	$ 48,978	$ 750
Accrued liabilities	1,183,593	-	-
Due to other funds	2,973,203	-	-
Due to other governments	-	-	-
Unearned revenue	78,886	64,742	-
Customer deposits	48,118	-	-
Total liabilities	5,407,410	113,720	750
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	264,694	-	107,149
Unavailable revenue - court fines	32,550	-	-
Unavailable revenue - ambulance	374,545	-	-
Unavailable revenue - assessments	-	-	-
Total deferred inflows of resources	671,789	-	107,149
FUND BALANCES			
Non-spendable:			
Inventory	101,184	-	-
Prepaids	26,278	-	-
Restricted for:			
General government	-	-	-
Debt service	-	-	173,962
Capital acquisition and construction	-	-	-
Recreation and leisure	-	-	-
Public safety	-	3,434,477	-
Assigned for:			
Subsequent year appropriations	8,419,447	-	-
Recreation	348,120	-	-
Public information and broadcasting	508,241	-	-
Information services	649,369	-	-
Community Clean-Up	156,332	-	-
Unassigned	9,923,578	-	-
Total fund balances	20,132,549	3,434,477	173,962
Total liabilities, deferred inflows of resources, and fund balances	$ 26,211,748	$ 3,548,197	$ 281,861

The accompanying notes are an integral part of these financial statements.

Other Governmental Funds	Total Governmental Funds
$ 182,143	$ 271,549
18,874,298	45,286,292
737,313	3,104,153
58,296	915,395
15,542	26,527
16	15,732
653,850	728,580
8,091	95,665
-	101,184
-	26,278
$ 20,529,549	$ 50,571,355
$ 374,478	$ 1,547,816
4,195	1,187,788
207,269	3,180,472
3,083	3,083
32,033	175,661
-	48,118
621,058	6,142,938
-	371,843
768	33,318
-	374,545
16,846	16,846
17,614	796,552
-	101,184
-	26,278
149,678	149,678
1,208,973	1,382,935
15,784,265	15,784,265
25,732	25,732
61,763	3,496,240
-	8,419,447
2,660,466	3,008,586
-	508,241
-	649,369
-	156,332
-	9,923,578
19,890,877	43,631,865
$ 20,529,549	$ 50,571,355

THIS PAGE LEFT BLANK INTENTIONALLY

CITY OF KELLER, TEXAS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

SEPTEMBER 30, 2015

Total fund balance, governmental funds	$ 43,631,865
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	153,559,499
Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	796,552
Some liabilities, (such as notes payable, capital lease contract payable, long-term compensated absences, and bonds payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.	(72,842,431)
Net position of governmental activities in the Statement of Net Position	$ 125,145,485

The accompanying notes are an integral part of these financial statements.

CITY OF KELLER, TEXAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	General Fund	Crime Control Prevention District	G.O. Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes:					
Property	$ 14,872,914	$ -	$ 4,801,452	$ 3,069,216	$ 22,743,582
Sales	5,340,418	1,254,542	-	4,065,087	10,660,047
Franchise	3,421,518	-	-	-	3,421,518
Mixed beverage	192,912	-	-	-	192,912
Permits, licenses and fees	1,899,434	-	-	179,585	2,079,019
Intergovernmental	2,890,652	20,000	-	190,937	3,101,589
Charges for services	1,561,413	-	-	3,636	1,565,049
Fines and forfeitures	1,017,820	-	-	125,679	1,143,499
Special assessments and impact fees	-	-	-	576,321	576,321
Donations	42,964	-	-	65,492	108,456
Investment earnings	73,069	8,032	6,694	773,967	861,762
Miscellaneous	212,447	-	-	12,355	224,802
Total revenues	31,525,561	1,282,574	4,808,146	9,062,275	46,678,556
EXPENDITURES					
Current:					
General government	6,614,984	-	-	138,710	6,753,694
Public safety	15,042,122	120,705	-	118,261	15,281,088
Public works	2,165,626	-	-	124,224	2,289,850
Community development	1,365,628	-	-	-	1,365,628
Recreation and leisure	4,215,320	-	-	56,707	4,272,027
Capital outlay	1,238,198	259,119	-	3,294,016	4,791,333
Debt service:					
Principal	-	330,000	3,494,833	3,758,327	7,583,160
Interest and other charges	-	198,250	1,161,572	980,511	2,340,333
Total expenditures	30,641,878	908,074	4,656,405	8,470,756	44,677,113
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	883,683	374,500	151,741	591,519	2,001,443
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	17,510	9,945	-	70,048	97,503
Bonds issued	-	-	5,125,000	14,455,000	19,580,000
Premium on bond issue	-	-	275,735	18,478	294,213
Payment to refunded bond escrow agent	-	-	(5,352,396)	(11,208,722)	(16,561,118)
Transfers in	3,238,715	-	143,943	1,164,112	4,546,770
Transfers out	(346,292)	-	(687,300)	(170,188)	(1,203,780)
Total other financing sources and uses	2,909,933	9,945	(495,018)	4,328,728	6,753,588
NET CHANGE IN FUND BALANCES	3,793,616	384,445	(343,277)	4,920,247	8,755,031
FUND BALANCES, BEGINNING	16,338,933	3,050,032	517,239	14,970,630	34,876,834
FUND BALANCES, ENDING	$ 20,132,549	$ 3,434,477	$ 173,962	$ 19,890,877	$ 43,631,865

The accompanying notes are an integral part of these financial statements.

CITY OF KELLER, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2015

Net change in fund balances - total governmental funds:	$ 8,755,031
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(6,268,635)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	20,623
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	4,270,065
Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds.	(293,266)
Change in net position of governmental activities	$ 6,483,818

The accompanying notes are an integral part of these financial statements.

CITY OF KELLER, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2015

	Water and Wastewater Utilities	Drainage Utility	Non-Major Recreation/ Aquatic Center	Total Enterprise Funds
ASSETS				
Current assets:				
Cash and cash equivalents	$ 11,982	$ 2,406	$ 1,689	$ 16,077
Investments	8,006,162	2,794,113	1,566,416	12,366,691
Receivables, net of allowances for uncollectibles				
Accounts	5,357,244	72,556	26,946	5,456,746
Interest	13,741	1,506	1,046	16,293
Due from other funds	1,787,864	159,273	504,755	2,451,892
Inventory	295,700	-	-	295,700
Prepaid items	267,920	46	57	268,023
Restricted assets:				
Investments	9,800,650	-	-	9,800,650
Total current assets	25,541,263	3,029,900	2,100,909	30,672,072
Non-current assets:				
Capital assets:				
Land	1,473,998	61,272	-	1,535,270
Water and sewer system	94,458,199	28,888,602	-	123,346,801
Machinery and equipment	1,865,009	482,622	-	2,347,631
Capacity rights	6,281,781	-	-	6,281,781
Construction in progress	5,117,410	911,489	-	6,028,899
Less accumulated depreciation	(44,653,729)	(17,626,770)	-	(62,280,499)
Total non-current assets	64,542,668	12,717,215	-	77,259,883
Total assets	90,083,931	15,747,115	2,100,909	107,931,955
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	205,810	-	-	205,810
Deferred outflows related to pensions	292,585	52,608	68,157	413,350
Total deferred outflows of resources	498,395	52,608	68,157	619,160
LIABILITIES				
Current liabilities:				
Accounts payable	4,063,099	139,515	123,325	4,325,939
Accrued liabilities	162,667	30,701	58,149	251,517
Accrued interest payable	84,945	-	-	84,945
Unearned revenue	114,327	-	588,705	703,032
Customer deposits	1,068,638	-	5,861	1,074,499
Compensated absences	25,525	5,542	-	31,067
Certificates of obligation	574,000	-	-	574,000
General obligation bonds	1,858,638	-	-	1,858,638
Total current liabilities	7,951,839	175,758	776,040	8,903,637
Non-current liabilities:				
Compensated absences	127,625	27,712	-	155,337
Certificates of obligation	6,191,000	-	-	6,191,000
General obligation bonds	9,862,595	-	-	9,862,595
Net pension liability	1,353,589	243,382	315,319	1,912,290
Total non-current liabilities	17,534,809	271,094	315,319	18,121,222
Total liabilities	25,486,648	446,852	1,091,359	27,024,859
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	93,049	16,731	21,676	131,456
Total deferred inflows of resources	93,049	16,731	21,676	131,456
NET POSITION				
Net investment in capital assets	49,963,250	12,717,215	-	62,680,465
Restricted for capital projects	1,169,197	-	-	1,169,197
Unrestricted	13,870,182	2,618,925	1,056,031	17,545,138
Total net position	$ 65,002,629	$ 15,336,140	$ 1,056,031	$ 81,394,800

The accompanying notes are an integral part of these financial statements.

CITY OF KELLER, TEXAS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Water and Wastewater Utilities	Drainage Utility	Non-Major Recreation/ Aquatic Center	Total Enterprise Funds
OPERATING REVENUES				
Water revenue	$ 14,942,388	$ -	$ -	$ 14,942,388
Sewer revenue	6,252,768	-	-	6,252,768
Drainage revenue	-	1,610,683	-	1,610,683
Recreation / Aquatic Center revenue	-	-	2,980,624	2,980,624
Tap and connection fees	130,650	-	-	130,650
Intergovernmental	157,359	-	-	157,359
Miscellaneous revenues	38,736	-	15,878	54,614
Total operating revenues	21,521,901	1,610,683	2,996,502	26,129,086
OPERATING EXPENSES				
Personnel services	2,993,369	552,564	1,339,451	4,885,384
Supplies and maintenance	1,269,402	97,973	333,924	1,701,299
Services and other	863,390	207,129	927,264	1,997,783
Wholesale water purchases	8,768,317	-	-	8,768,317
Wastewater services contracted	2,943,239	-	-	2,943,239
Depreciation and amortization	2,951,243	1,315,310	-	4,266,553
Total operating expenses	19,788,960	2,172,976	2,600,639	24,562,575
OPERATING INCOME (LOSS)	1,732,941	(562,293)	395,863	1,566,511
NON-OPERATING REVENUES (EXPENSES)				
Interest and investment revenues	64,652	9,555	6,783	80,990
Gain (loss) on disposal of assets	66,294	-	1,726	68,020
Interest expense	(571,767)	-	-	(571,767)
Total non-operating revenues (expenses)	(440,821)	9,555	8,509	(422,757)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	1,292,120	(552,738)	404,372	1,143,754
Capital contributions	857,895	385,770	-	1,243,665
Transfers in	75,000	-	-	75,000
Transfers out	(3,188,285)	(203,705)	(26,000)	(3,417,990)
CHANGE IN NET POSITION	(963,270)	(370,673)	378,372	(955,571)
TOTAL NET POSITION, BEGINNING	67,123,873	15,913,048	947,409	83,984,330
PRIOR PERIOD ADJUSTMENT	(1,157,974)	(206,235)	(269,750)	(1,633,959)
TOTAL NET POSITION, ENDING	$ 65,002,629	$ 15,336,140	$ 1,056,031	$ 81,394,800

The accompanying notes are an integral part of these financial statements.

CITY OF KELLER, TEXAS

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Water and Wastewater Utilities	Drainage Utility	Non-Major Recreation / Aquatic Center	Total Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	$ 20,265,269	$ 1,609,632	$ 2,953,120	$ 24,828,021
Cash payments for goods and services	(12,921,126)	(418,423)	(1,335,123)	(14,674,672)
Cash payments to employees/retirees	(3,000,881)	(544,965)	(1,210,449)	(4,756,295)
Net cash provided by operating activities	4,343,262	646,244	407,548	5,397,054
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Cash paid to other funds	192,087	(159,273)	(504,755)	(471,941)
Transfers from other funds	75,000	-	-	75,000
Transfers to other funds	(3,188,285)	(203,705)	(26,000)	(3,417,990)
Net cash used by noncapital financing activities	(2,921,198)	(362,978)	(530,755)	(3,814,931)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal paid on debt	(1,984,248)	-	-	(1,984,248)
Interest and fiscal charges on debt	(47,541)	-	-	(47,541)
Acquisition and construction of capital assets	(1,944,543)	(265,219)	-	(2,209,762)
Proceeds from sale of capital assets	66,294	-	1,726	68,020
Net cash provided (used) by capital and related financing activities	(3,910,038)	(265,219)	1,726	(4,173,531)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investment securities	2,437,317	(87,495)	-	2,349,822
Proceeds from sale and maturities of securities	-	-	(171,588)	(171,588)
Interest on investments	62,639	9,860	6,867	79,366
Net cash used by investing activities	2,499,956	(77,635)	(164,721)	2,257,600
NET INCREASE (DECREASE) IN CASH	11,982	(59,588)	(286,202)	(333,808)
CASH AND CASH EQUIVALENTS, BEGINNING	-	61,994	287,891	349,885
CASH AND CASH EQUIVALENTS, ENDING	$ 11,982	$ 2,406	$ 1,689	$ 16,077

CITY OF KELLER, TEXAS

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS
(Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Water and Wastewater Utilities	Drainage Utility	Non-Major Recreation / Aquatic Center	Total Enterprise Funds
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	$ 1,732,941	$(562,293)	$ 395,863	$ 1,566,511
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	2,951,243	1,315,310	-	4,266,553
Change in assets and liabilities:				
Decrease (increase) in assets:				
Customer receivables	(1,333,651)	(1,051)	(3,084)	(1,337,786)
Prepaid items	(267,392)	(6)	1,324	(266,074)
Inventory	(27,037)	-	-	(27,037)
Increase (decrease) in liabilities:				
Accounts payable	1,217,651	(113,315)	49,415	1,153,751
Accrued liabilities	6,785	4,864	5,240	16,889
Unearned revenue	8,570	-	(40,380)	(31,810)
Customer deposits	77,019	-	82	77,101
Compensated absences	(18,946)	3,440	-	(15,506)
Net pension liability	(3,921)	(705)	(912)	(5,538)
Total adjustments	2,610,321	1,208,537	11,685	3,830,543
Net cash provided by operating activities	$ 4,343,262	$ 646,244	$ 407,548	$ 5,397,054
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Contributions of capital assets	$ 857,895	$ 385,770	$ -	$ 1,243,665

The accompanying notes are an integral part of these financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Keller, Texas, was incorporated in 1955. The City operates under the Council-Manager form of government as adopted by a home rule charter approved in 1982. The City provides a full range of municipal services including general government, planning and community development, public safety (police, fire, animal control, and emergency medical services), public works, recreation and leisure. In addition, the City provides water and sewer service, and storm water drainage as proprietary functions of the City.

The accounting policies of the City of Keller, Texas, conform to generally accepted accounting principles issued by the Governmental Accounting Standards Board, which is the recognized financial accounting standard setting body for governmental entities. The notes to the financial statements are an integral part of the City's financial statements.

Because the City is a home rule municipality, it is governed by an elected mayor and six-member City Council who appoint a City Manager. The City's (primary government) financial statements include its component units. The accompanying basic financial statements comply with the provisions of the GASB Statement No. 14, "The Financial Reporting Entity," in that the financial statements include all organizations, activities, functions and component units for which the City (the "primary government") is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the City's ability to impose its will over the organization, or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the City.

Blended Component Units

Keller Development Corporation (KDC) – The City created the Keller Development Corporation for the purpose of implementing its Parks Master Plan and appointed a seven-member Board of Directors, four of whom are required to be members of the City Council. The remaining three members are residents of the City. All Board members are appointed by the City Council. KDC is authorized to sell bonds or other forms of indebtedness. In the event of dissolution of KDC, the assets of KDC will be distributed to the City.

Since the KDC Board of Directors act primarily in an advisory role to the Keller City Council, who exercise the ultimate financial control over the recommendations of the KDC Board and there is either a financial benefit or burden relationship between the City and KDC, the financial information of KDC is blended as a governmental fund into the primary government.

Keller Tax Increment Finance Reinvestment Zone #1 (TIF) – The City created the Keller Tax Increment Finance Reinvestment Zone #1 to encourage the accelerated development of the Keller Town Center area in the City. The 12-member Board of Directors is comprised of five members of the Keller City Council, the Mayor of Keller, three members representing the Keller Independent School District, and one member appointed from the governing bodies of the three respective Tarrant County entities. The TIF was established through the corporate efforts of the City of Keller, the Keller Independent School District, Tarrant County, the Tarrant County College District and the Tarrant County Hospital District. These entities comprise all of the overlapping taxing entities within the City. Debt obligations issued and backed by the TIF are to be repaid from property tax levies, based on the incremental increase in the real property values from the base year (1998).

Since the TIF Board of Directors acts primarily in an advisory role to the Keller City Council, who exercise the ultimate financial control over the recommendations of the TIF Board and the TIF provides services entirely, or almost entirely, to the City or otherwise exclusively, or almost exclusively, benefits the City even though it does not provide services directly to it, the financial information of the TIF is blended as a governmental fund into the primary government.

Keller Crime Control Prevention District (KCCPD) **–** In accordance with Section 363 of the Texas Local Government Code, the City Council appointed a temporary KCCPD Board, who then developed and proposed a two-year financial plan to the residents of the City for a public vote. In November 2001, the residents of the City, by referendum, approved an additional three-eighths of one percent (0.375%) sales and use tax to be used for public safety crime control and prevention programs, including public safety equipment, and improvements to public safety facilities. Following voter approval of KCCPD, a Board of Directors was officially appointed by the City Council, and the two-year budget was then adopted by the Board and City Council. By statute, the life of KCCPD cannot exceed five years without re-authorization by another referendum. The additional sales tax became effective in April 2002. The tax was authorized for an initial period of five years. In May 2006, voters re-authorized the tax for an additional period of 15 years. In November 2007, voters authorized a reduction in the rate from three-eighths of one percent (0.375%) to one-quarter of one percent (0.25%).

Since the KCCPD Board acts primarily in an advisory role to the Keller City Council, who exercises the ultimate financial control over the recommendations of the KCCPD Board and the KCCPD provides services entirely, or almost entirely, to the City or otherwise exclusively, or almost exclusively, benefits the City even though it does not provide services directly to it, the financial information for KCCPD is blended as a governmental fund into the primary government.

Separate financial statements for the component units are not prepared.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of changes in net position) report information on all of the activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and service charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund based financial statements are provided for governmental funds and proprietary funds. Major individual Enterprise Funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

In the governmental funds, the City reports deferred inflows of resources for amounts that have been billed and/or collected and do not meet both the “measurable” and “available” criteria for recognition in the current period. The City reports unearned revenue in the government-wide and fund financial statements for any amounts where an asset was recognized before the earnings process was complete.

The City reports the following major governmental funds:

The ***General Fund*** is the City’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The ***Crime Control Prevention District Special Revenue Fund*** is used to account for collection of sales and use taxes, in accordance with Section 363 of the Texas Local Government Code, to be used for public safety crime control and prevention programs.

The ***General Obligation Debt Service Fund*** accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The City reports the following major proprietary funds:

The ***Water and Wastewater Operations and Drainage Utility Funds*** operate the water distribution system, the wastewater collection system and storm water control.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and Enterprise Funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and wastewater function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes, miscellaneous revenue, and interest income.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer and Drainage Utility Enterprise Funds are charges to customers for sales and services. These funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, Liabilities and Net Position or Equity

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand and demand deposits.

The City's investment policy is more restrictive than required by state statutes. The investment policy authorizes the City to invest in (1) obligations of the United States or its agencies and instrumentalities, excluding mortgage-backed securities; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, excluding mortgage-backed securities; (4) obligations of agencies, counties, cities, and other political subdivisions of the State of Texas rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (5) A certificate of deposit (CD) or other form of deposit issued by a depository institution that has its main office or a branch office in the State and is: (A) guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor; or (B) secured in compliance with the City's investment policy; or (C) issued in accordance with Section 2256.010 (b) and placed through a selected depository institution or broker with its main office or branch office in Texas; or, (6) eligible local government investment pools which invest in instruments and follow practices allowed by current law as defined in Section 2256.016 of the Texas Public Funds Investment Act; (7) regulated no-load money market mutual funds that are (A) registered with and regulated by the Securities and Exchange Commission; (B) having a dollar-weighted average portfolio of ninety (90) days or less; (C) the investment objectives include the maintenance of a stable net position value of one dollar ($1.00) per share; and (D) the fund is continuously rated no lower than "AAA" or its equivalent rating by at least one nationally recognized rating service; and (8) repurchase agreements and fully flexible repurchase agreements ("flex repos"), to the extent authorized under the Act (Texas Government Code 2256.001). The use of flex repos is limited to the investment of bond proceeds and the maturity date of any such agreement shall not exceed the expected proceeds draw schedule.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade receivables are shown net of an allowance for uncollectables. Trade accounts receivable in excess of 60 days comprise the trade accounts receivable allowance for uncollectables.

Property taxes are levied on October 1 by the City based on the January 1 property values as assessed by the Tarrant County Appraisal District. Taxes are due without penalty until January 31, of the next calendar year. After January 31, the City has an enforceable lien with respect to both real and personal property. Under state law, property taxes levied on real property constitute a perpetual lien on the real property which cannot be forgiven without specific approval of the State Legislature. Taxes applicable to personal property can be deemed uncollectible by the City.

3. Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted Assets

Restricted assets include certain cash proceeds of Enterprise Fund debt issues because their use is limited by applicable bond covenants. Accumulated impact fees are restricted for debt service or construction of water or wastewater systems. Assets are also restricted for payments of principal and interest due on certain water and wastewater debt.

5. Capital Assets

Capital assets, which include land, buildings, improvements other than buildings, machinery and equipment, and infrastructure assets (e.g., streets, sidewalks, bridges, underground structures and piping, roads, bridges, sidewalks, and similar items), and construction in progress are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Generally, capital assets are defined by the City as assets with an estimated useful life in excess of one year and an initial, individual cost of $10,000 – $20,000 for subclasses of real property and $5,000 – $10,000 for subclasses of personal property. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings and building improvements	20 - 40
Improvements other than buildings	20 - 40
Water and sewer system infrastructure	20 - 40
Storm drainage system infrastructure	20 - 40
Capacity rights	40
Heavy equipment	10 - 15
Fire trucks and ambulances	15 - 20
Furniture and fixtures	5 - 10
Machinery and equipment	5 - 10
Police pursuit vehicles	3
Other vehicles	3 - 6

6. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation pay benefits up to specified limits. Vacation benefits are accrued at 6.67, 10.00, or 13.34 hours per month for employees with less than 5, 10, or more than 10 years of service, respectively. Regular full-time employees having 5 years of service or less may accrue up to 160 hours; 6 - 10 years of service, 240 hours; 11 - 20 years of service; 320 hours; and over 20 years of service, 400 hours, respectively. Directors shall accrue at the same rate as all regular fulltime employees but may accrue up to a maximum of 400 hours. Sick leave is accrued at 8 hours per month without limitation. Upon termination or retirement, any accumulated sick leave expires. Unused compensatory time for nonexempt employees is paid on termination. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they are matured, for example, unused reimbursable leave payable as a result of employee resignations and retirements.

7. Long-term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category.

- Deferred charges on refundings – A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

- Pension contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.

- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five year period.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The City has two types of items, one of which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from four sources: property taxes, court fines, ambulance, and assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other type of item, deferred inflows related to pensions, is only presented in the government-wide financial statement of net position. The deferred inflow is the difference in expected and actual pension experience and is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

9. Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- **Nonspendable**: Includes amounts that are (a) not in a spendable form or (b) are required to be maintained intact. Examples include inventory and prepaid expenses.

- **Restricted**: Includes amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors, grantors, or contributions; or amounts constrained due to regulations of other governments. Examples include unspent grant awards funds and unspent bond proceeds at year-end.

- **Committed**: Includes amounts that are limited to specific purposes that are *self-imposed* by the City through formal action of the City Council, the highest level of decision-making authority. Commitments may be changed or removed only by majority vote of the City Council. An example of a committed fund balance would include designating a specific amount of fund balance to be set aside for future capital improvements.

- **Assigned**: This classification includes amounts that are constrained by the Council's intended use for specific purposes, but are neither restricted nor committed. The City Council has the authority to assign funds for specific purposes. However, assignment of fund balance is not required to be approved by City Council. Per the fund balance policy, intent can be expressed by the City Council, or by an official to which the City Council delegates the authority (e.g., City Manager). In governmental funds other than the General Fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund. Examples of assigned fund balance include fund balances the City Council intends to earmark for future expenditures, such as portions of existing fund balance that will be incorporated into the subsequent year's budget to balance appropriations (appropriated fund balance), public education and government (PEG) programs, recreation programs, and city-wide information services support.

- **Unassigned**: The residual classification of amounts in the General Fund which includes all amounts not classified in other fund balance categories. Unassigned amounts are technically available for any purpose. Negative residual amounts for all other governmental funds are reported in this classification.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

10. Pensions

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from the City's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the City's Total Pension Liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions.

11. Prior Period Adjustment

As the result of implementing GASB Statement Nos. 68, the City has restated the beginning net position, effectively decreasing net position as of October 1, 2014 by $(7,341,246) for the governmental activities and by $(1,635,934) for the business-type activities for the net pension liability.

Further, the City has increased its business-type activities by $1,975 for an adjustment to capital assets.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of Certain Differences Between the Government Fund Balance Sheet and the Government-wide Statement of Net Position

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains, "Some liabilities, (such as notes payable, capital lease contract payable, long-term compensated absences, and bond payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position." The details of this $(72,842,431) difference are as follows:

General obligation bonds	$(17,231,728)
Certificates of obligation	(43,893,112)
Premiums on bonds	(1,965,055)
Deferred loss on refunding	1,203,061
Accrued interest payable	(279,996)
Compensated absences	(1,603,387)
OPEB liability	(480,694)
TMRS net pension obligation	(8,591,520)
Net adjustment to reduce *fund balance - total governmental funds* to arrive at *net position - governmental activities*	$(72,842,431)

Explanation of Certain Differences Between the Governmental Fund Statement of Revenue, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenue, expenditures and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental fund* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, "Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this $(6,268,635) difference are as follows:

Capital outlay	$ 3,510,655
Depreciation expense	(9,779,290)
Net adjustment to increase *net change in fund balances - total governmental funds* to arrive at *change in net position of governmental activities*	$(6,268,635)

Another element of that reconciliation states, "Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds." The details of this $20,623 difference are as follows:

Property taxes	$ 33,670
Ambulance fees	3,047
Assessments	24,699
Court fines	(40,793)
Net adjustment to decrease *net change in fund balances - total governmental funds* to arrive at *change in net position of governmental activities*	$ 20,623

Another element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this $(293,266) difference are as follows:

Compensated absences	$(36,773)
Interest payable	38,292
Amortization of deferred charge on refunding	(477,945)
Amortization of bond discounts/premiums	237,156
Other post employment benefits	(83,180)
TMRS net pension obligation	29,184
Net adjustment to decrease *net change in fund balances - total governmental funds* to arrive at *change in net position of governmental activities*	$(293,266)

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The City Charter of the City of Keller establishes the fiscal year as October 1 through September 30. The Charter requires the City Manager to submit a proposed budget and accompanying budget message to the City Council each year. The proposed budget is presented to the City Council by the City Manager and Department Directors at a series of budget work sessions. Copies of the proposed budget are made available to the public and the press and the public hearing schedule is confirmed. Before the public hearings are held, notices of the public hearings on the proposed budget are posted and published in the newspaper. Following a public hearing at a regular City Council meeting, the Council may adopt the proposed budget, with or without an amendment. The budget ordinance is to be adopted no later than the 27th day of September and requires an affirmation vote of a majority of the Council. The City maintains budgetary control by adopting an annual operating budget for the General Fund, Debt Service Funds, Special Revenue Funds (excepting the Public Safety Fund and Contributions/Donations Fund), and certain Capital Projects Funds (Park Development, Street/Sidewalk Improvements, and Equipment Replacement Funds). Revisions that increase the total expenditures of any fund must be approved by Council.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2015, the City had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Days)	Ratings (Standard & Poor's)
Certificates of Deposit	$ 32,045,833	323	
TexPool	6,938,434	41	AAAm
LOGIC	1,394,493	33	AAAm
Money Market Mutual Funds	18,582,094	1	AAAm
Bonds	8,642,016	269	

Investments in the local government investment pools, TexPool and LOGIC, and the money market mutual funds are stated at fair value which is the same as the value of the pool and fund shares.

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement and publicize an investment policy. That policy must address the following areas: (1) obligations of the United States or its agencies and instrumentalities, excluding mortgage-backed securities; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, excluding mortgage-backed securities [investment policy updated 4/21/15]; (4) obligations of agencies, counties, cities, and other political subdivisions of the State of Texas rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (5) A certificate of deposit (CD) or other form of deposit issued by a depository institution that has its main office or a branch office in the State and is: (A) guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor; or (B) secured in compliance with the City's investment policy; or (C) issued in accordance with Section 2256.010 (b) and placed through a selected depository institution or broker with its main office or branch office in Texas; or, (6) eligible local government investment pools which invest in instruments and follow practices allowed by current law as defined in Section 2256.016 of the Texas Public Funds Investment Act; (7) regulated no-load money market mutual funds that are (A) registered with and regulated by the Securities and Exchange Commission; (B) having a dollar-weighted average portfolio of ninety (90) days or less; (C) the investment objectives include the maintenance of a stable net position value of one dollar ($1.00) per share; and (D) the fund is continuously rated no lower than "AAA" or its equivalent rating by at least one nationally recognized rating service; and (8) repurchase agreements and fully flexible repurchase agreements ("flex repos"), to the extent authorized under the Act (Texas Government Code 2256.001). The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

The City is a member of two local government investment pools – TexPool and LOGIC. TexPool is an external investment pool operated by the Texas Comptroller of Public Accounts and is not SEC registered. The Texas Interlocal Cooperation Act and the Texas Public Funds Investments Act provide for creation of public funds investment pools and permit eligible governmental entities to jointly invest their funds in authorized investments. The State Comptroller has established an advisory board composed both of participants in TexPool and of other persons who do not have a business relationship with TexPool. The Advisory board members review the investment policy and management fee structure. TexPool uses amortized cost to report net position and share prices since that amount approximates fair value.

Local Government Investment Cooperative (LOGIC) is also an external investment pool governed by the Texas Interlocal Cooperation Act and the Texas Public Funds Investments Act. It operates in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940, to the extent such rule is applicable to its operations. Accordingly, LOGIC uses the amortized cost method permitted by SEC Rule 2a-7 to report net position and share prices since that amount approximates fair value. The investment activities of LOGIC are administered by third party advisors. There is no regulatory oversight by the State of Texas over LOGIC.

Custodial Credit Risk – In the case of deposits, this is the risk, that in the event of a bank failure, the City's deposits may not be returned to it. State and City statutes require that all deposits in financial institutions be fully collateralized by U. S. Government Obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of deposits. As of September 30, 2015, $46,036,791 of the City's $47,786,791 deposit balance was collateralized with securities held by the pledging financial institution. The remaining balance, $1,750,000, was covered by FDIC insurance.

Credit Risk – It is the City's policy to limit its investments to investment types with an investment quality rating not less than AAA or its equivalent by a nationally recognized statistical rating organization. The City's investment pools are rated AAAm by Standard & Poor's Investors Service.

Concentration of Credit Risk – With the exception of U. S. Government Securities (100%), the City may invest up to 80% of its portfolio in the following instruments: U.S. Government Agency and Government-sponsored Enterprise Obligations; authorized local agreement investment pools; and fully collateralized depository institution deposits. Investments in money market mutual funds are limited to 40% of the City's total portfolio.

Interest Rate Risk – In accordance with its investment policy, the City manages its exposure to declines in fair value by limiting the weighted average maturity of its portfolio to less than three years.

B. Receivables

Receivables as of year-end for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Crime Control Prevention District	G.O. Debt Service	Other Governmental	Water and Wastewater Operations	Drainage Utility	Recreational Aquatic Center	Totals
Receivables:								
Property taxes	$ 323,796	$ -	$ 129,979	$ 16,789	$ -	$ -	$ -	$ 470,564
Sales taxes	960,445	207,591	-	720,524	-	-	-	1,888,560
Franchise taxes	784,093	-	-	-	-	-	-	784,093
Ambulance	968,325	-	-	-	-	-	-	968,325
Municipal court fines	325,497	-	-	7,683	-	-	-	333,180
Customer accounts	44,964	-	-	38,628	5,467,595	91,523	26,946	5,669,656
Intergovernmental	87,574	-	-	8,091	-	-	-	95,665
Interest	10,805	-	180	15,542	13,741	1,506	1,046	42,820
Other	412,036	-	-	24,250	-	-	-	436,286
Gross Receivables	3,917,535	207,591	130,159	831,507	5,481,336	93,029	27,992	10,689,149
Less: allowance for uncollectibles	906,310	-	10,761	12,249	110,351	18,967	-	1,058,638
Net total receivables	$ 3,011,225	$ 207,591	$ 119,398	$ 819,258	$ 5,370,985	$ 74,062	$ 27,992	$ 9,630,511

C. Capital Assets

Capital assets activity for the year ended September 30, 2015, are as follows:

Primary Government

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	$ 34,016,592	$ -	$(61,834)	$ -	$ 33,954,758
Construction in progress	9,000,332	574,750	(4,915)	(7,591,876)	1,978,291
Total assets not being depreciated	43,016,924	574,750	(66,749)	(7,591,876)	35,933,049
Capital assets, being depreciated:					
Buildings	55,585,506	63,970	-	7,903,144	63,552,620
Improvements	184,409,706	1,993,013	-	(311,268)	186,091,451
Machinery and equipment	18,582,534	960,534	(587,614)	-	18,955,454
Total capital assets being depreciat	258,577,746	3,017,517	(587,614)	7,591,876	268,599,525
Less accumulated depreciation:					
Buildings	(18,884,866)	(2,174,701)	-	-	(21,059,567)
Improvements	(111,327,422)	(6,129,448)	-	-	(117,456,870)
Machinery and equipment	(11,554,248)	(1,475,141)	572,751	-	(12,456,638)
Total accumulated depreciation	(141,766,536)	(9,779,290)	572,751	-	(150,973,075)
Total capital assets being depreciated, net	116,811,210	(6,761,773)	(14,863)	7,591,876	117,626,450
Governmental activities capital assets, net	$ 159,828,134	$(6,187,023)	$(81,612)	$ -	$ 153,559,499

	Beginning Balance	Additions	Deletions	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 1,502,301	$ 32,969	$ -	$ 1,535,270
Construction in progress	3,994,736	2,034,163	-	6,028,899
Total assets not being depreciated	5,497,037	2,067,132	-	7,564,169
Capital assets, being depreciated:				
Improvements other than buildings	122,091,488	1,255,313	-	123,346,801
Machinery and equipment	2,306,144	80,358	(38,871)	2,347,631
Capacity rights	6,281,781	-	-	6,281,781
Total capital assets being depreciat	130,679,413	1,335,671	(38,871)	131,976,213
Less accumulated depreciation:				
Improvements other than buildings	(52,665,169)	(3,905,761)	-	(56,570,930)
Machinery and equipment	(1,756,455)	(151,151)	38,871	(1,868,735)
Capacity rights	(3,683,792)	(157,042)	-	(3,840,834)
Total accumulated depreciation	(58,105,416)	(4,213,954)	38,871	(62,280,499)
Total capital assets being depreciated, net	72,573,997	(2,878,283)	-	69,695,714
Business-type activities capital assets, net	$ 78,071,034	$(811,151)	$ -	$ 77,259,883

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	$ 2,204,409
Public safety	4,987,339
Public works	747,408
Community development	445,742
Recreation and leisure	1,394,392
Total depreciation expense - governmental activities	$ 9,779,290
Business-type activities:	
Water and wastewater utilities	$ 2,898,644
Drainage utilities	1,315,310
Total depreciation expense - business-type activities	$ 4,213,954

Construction Commitments

The City has active construction projects as of September 30, 2015. The projects include land acquisition, street construction, park improvements, water system improvements, and sewer system improvements.

Land acquisition, building construction, street and park improvements are being financed by bond proceeds, park development fees, combination tax and revenue certificates of obligation (general purposes) and self-supporting combination tax and revenue certificates of obligation (KDC and KCCPD). The commitments for water system improvements and sewer system improvements are being financed by self-supporting bonds, combination tax and revenue certificates of obligation, and water and sewer impact fees.

	Spent to Date	Remaining Commitment
Big Bear East Collector	$ -	$ 2,848,673
Marshal Branch East Collector	1,385,622	1,693,947
Police Building Roofing Repair	-	104,359
Keller Smithfield R South Extension	229,290	708,758
Residental Street Reconstruction Project	1,686,316	22,073
Keller Pointe Expansion Project	92,843	1,765,683
Total	$ 3,394,071	$ 7,143,493

D. Interfund Transfers

The following schedule briefly summarizes the City's transfer activity:

Transfers in	Transfers out	Amount
General	Water and wastewater utilities	$ 3,058,190
	Drainage utility	116,025
	Nonmajor governmental	38,500
	Nonmajor proprietary	26,000
General obligation debt service	Nonmajor governmental	131,688
	Water and wastewater utilities	12,255
Nonmajor governmental	General	346,292
	General obligation debt service	687,300
	Water and wastewater utilities	117,840
	Drainage utility	12,680
Water and wastewater utilities	Drainage utility	75,000
		$ 4,621,770

Transfers are used to: 1) transfer revenues from the fund required by statute or budget to collect them to the fund required by statute or budget to expend them; 2) fund the City's match portion for grants; 3): to reimburse and/or compensate other funds for certain operational activities performed on that fund's behalf (i.e., general and administrative services); and 4) for payments in lieu of taxes.

E. Long-term Debt

The City of Keller issues general obligation bonds, certificates of obligation bonds, contractual obligation bonds and notes to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. These issues are direct obligations and pledge the full faith and credit of the City.

General debt currently outstanding is as follows:

Governmental Activities Debt:

Purpose	Original Principal	Year of Issue	Final Maturity	Interest Rate	Balance 9/30/15
General obligation bonds:					
City:					
Improvements	4,000,000	2009	2029	4.00% - 4.65%	$ 3,235,000
Refunding	2,000,000	2010	2020	2.00% - 3.50%	625,000
Refunding	5,620,000	2010	2022	2.00% - 4.00%	4,000,000
Refunding	625,000	2012	2023	0.55%-2.85%	570,000
Refunding	4,155,000	2012	2024	2.00% - 5.00%	3,755,000
Refunding	5,125,000	2014	2026	2.00% - 4.00%	5,046,728
					17,231,728
Certificates of obligation:					
City:					
Improvements	8,310,000	2009	2029	3.00% - 4.70%	6,540,000
Improvements	6,710,000	2010	2030	2.00% - 4.00%	5,545,000
Improvements	6,000,000	2012	2027	2.00% - 5.00%	5,075,000
Improvements	601,000	2013	2018	0.56%-1.63%	364,000
Keller TIRZ (TIF)					
Refunding	6,299,997	2010	2028	1.00% - 4.125%	6,020,000
Refunding	9,545,000	2014	2018	4.00% - 5.00%	7,175,000
Keller Development Corp.					
Improvements	9,235,000	2004	2024	4.00% - 5.00%	8,475,000
Refunding	1,040,000	2014	2026	2.00% - 4.00%	1,024,112
Improvements	3,870,000	2014	2034	2.00% - 3.125%	3,675,000
					$ 43,893,112

Business-type Activities Debt:

Purpose	Original Principal	Year of Issue	Final Maturity	Interest Rate	Balance 09/30/15
General obligation bonds:					
City:					
Refunding	1,290,000	2010	2020	2.00% - 3.50%	$ 420,000
Refunding	7,310,000	2012	2024	2.00% - 5.00%	6,095,000
Refunding	4,310,000	2014	2026	2.00% - 4.00%	4,244,160
					10,759,160
Certificates of obligation:					
City:					
Improvements	4,255,000	2006	2026	4.25% - 5.37%	200,000
Improvements	1,600,000	2010	2030	2.00% - 4.25%	1,320,000
Improvements	5,835,000	2012	2032	0.05%-2.20%	5,080,000
Improvements	272,000	2013	2018	0.56%-1.63%	165,000
					6,765,000
Less: bond issue (discount)/premium					962,073
Total business-type activities debt					$ 18,486,233

Annual debt service requirements to maturity for general debt:

Year Ending September 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2016	$ 6,591,362	$ 2,189,486	$ 2,432,638	$ 530,019
2017	7,134,370	1,958,333	1,721,630	483,053
2018	7,295,463	1,713,604	1,713,538	416,494
2019	4,568,015	1,451,155	1,626,985	384,074
2020	4,842,085	1,282,678	1,587,915	306,968
2021-2025	19,584,475	3,921,563	5,430,525	905,758
2026-2030	10,119,070	1,020,573	2,280,929	267,775
2031-2034	990,000	62,841	730,000	20,767
Total	$ 61,124,840	$ 13,600,233	$ 17,524,160	$ 3,314,908

Changes in Long-term Liabilities

During the year ended September 30, 2015, the following changes occurred in general government long-term debt:

Description	Balance 9/30/14	Additions	Reductions	Balance 9/30/15	Due Within One Year
Governmental activities:					
General obligation bonds	$ 19,970,000	$ 5,125,000	$(7,863,272)	$ 17,231,728	$ 2,580,909
Certificates of obligation	45,353,000	14,455,000	(15,914,888)	43,893,112	4,010,453
Bond premiums/discounts	2,144,397	294,213	(473,555)	1,965,055	237,613
Total bonds payable	67,467,397	19,874,213	(24,251,715)	63,089,895	6,828,975
Compensated absences	1,566,614	1,447,638	(1,410,865)	1,603,387	278,487
OPEB liability	397,514	83,180	-	480,694	-
TMRS net pension obligation	1,279,458	10,240,023	(1,442,492)	10,076,989	-
	$ 70,710,983	$ 31,645,054	$(27,105,072)	$ 75,250,965	$ 7,107,462

Description	Balance 9/30/14	Additions	Reductions	Balance 09/30/15	Due Within One Year
Business-type activities:					
General obligation bonds	$ 9,145,000	$ 4,310,000	$(2,695,840)	$ 10,759,160	$ 1,858,638
Certificates of obligation	9,959,000	-	(3,194,000)	6,765,000	574,000
Bond premiums/discounts	794,714	267,247	(99,888)	962,073	-
Total bonds payable	19,898,714	4,577,247	(5,989,728)	18,486,233	2,432,638
Compensated absences	201,910	128,401	(143,907)	186,404	31,067
TMRS net pension obligation	1,635,934	307,295	(30,939)	1,912,290	-
	$ 21,736,558	$ 5,012,943	$(6,164,574)	$ 20,584,927	$ 2,463,705

For governmental activities, TMRS net pension obligation, OPEB liability, and compensated absences are, and were in prior years, generally liquidated by the General Fund.

Conduit Debt Obligations

Certain revenue bonds have been issued in the past to provide financial assistance to nonprofit and public entities for the acquisition and construction of educational and student housing facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the entities served by the bonds. The City is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of September 30, 2015, there was one series of revenue bonds outstanding. The aggregate principal amount payable for the issues was $27,125,000.

Advance Refunding

On January 15, 2015, the City issued $10,475,000 General Obligation Refunding Bonds, Series 2015 with interest rates ranging from 3.625% to 4.375%. The proceeds were used to advance refund $1,100,000 of outstanding 2003 Certificate of Obligation Bonds which had interest rate of 3.625%; $520,000 of outstanding 2004 General Obligation Bonds which had an interest rate of 4.00%; $6,360,000 of outstanding 2005 General Obligation Bonds which had interest rates ranging from 4.00% to 4.20%; $2,630,000 of outstanding 2006 Certificate of Obligation Bonds which had an interest rate of 4.375 %. The net proceeds of $10,475,000 (including a $585,686 premium and after payment of $98,799 in underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, the 2003, 2004, 2005, and 2006 bonds are considered defeased and the liability for those bonds has been removed from the statement of net position. At September 30, 2015 $2,630,000 of defeased bonds remain outstanding.

The reacquisition price exceeded the net carrying amount of the old debt by $327,661.This amount is being netted against the new debt and amortized over the remaining life of the refunding debt. The City advance refunded the 2003CO, 2004 GO, 2005 GO, and 2006 CO bonds to reduce its total debt service payments by $826,445.30 and to obtain an economic gain of $776,013 (present value). The book gain on this refunding was $327,661.

On January 15, 2015, the City issued $9,545,000 Combination Tax & TIRZ Revenue Refunding, Series 2015A with interest rates ranging from 4.25% to 5.0%. The proceeds were used to advance refund $9,920,000 of outstanding 2005 TIF REF FINAL Bonds. The net proceeds of $9,545,000 (including a $713,480 premium and after payment of $87,220 in underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, the 2005 bonds are considered defeased and the liability for those bonds has been removed from the statement of net position.

The reacquisition price exceeded the net carrying amount of the old debt by $239,338. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt. The City advance refunded the 2005 TIF REF FINAL bonds to reduce its total debt service payments by $756,501 and to obtain an economic gain of $738,770 (present value). The book gain on this refunding was $239,337.

Debt Issued

On January 15, 2015, the City and the Keller Development Corporation issued $3,870,000 Certificates of Obligation, Series 2015. The bonds pay interest on February 15th and August 15th at rates of 2.0%. The Certificates mature in 2034.

V. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; injuries to employees; employee health benefits; and other claims of various nature. The City participates in the Texas Municipal League Intergovernmental Risk Pool (Pool) which provides protection for risks of loss. Premiums are paid to the Pool which retains the risk of loss beyond the City's policy deductibles. Any losses reported but unsettled or incurred and not reported, are believed to be insignificant to the City's basic financial statements. For the last five years, there have been no significant reductions of insurance coverage or insurance settlements in excess of insurance coverage.

B. Contingent Liabilities and Commitments

Amounts received or receivable from grantor agencies are subject to audit and adjustment by such agencies. Any disallowed claims, including amounts already collected may constitute a liability of the applicable funds. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's management that the resolution of these matters will not have a material adverse effect on the financial condition of the City.

The City contracts for garbage disposal with a third party. Under the terms of the agreement, the City bills and collects the residential billing and remits that amount to the contracting party. The contractor bills the commercial customers and remits a franchise fee to the City based on total revenues received from the contract.

C. Defined Benefit Pension Policies

Plan Descriptions. The City participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agency multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Sections 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at *www.tmrs.org*.

All eligible employees of the City are required to participate in TMRS.

Benefits Provided. TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in over of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

The City has approved an annually repeating (automatic) basis a monetary credit referred to as an updated service credit (USC) which is a theoretical amount which takes into account salary increases or plan improvements. If at any time during their career an employee earns a USC, this amount remains in their account earning interest at 5% until retirement. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer match plus employer-financed monetary credits, such as USC, with interest were used to purchase an annuity. Additionally, City provides on an annually repeating (automatic) basis cost of living adjustments (COLA) for retirees equal to a percentage of the change in the consumer price index (CPI).

A summary of plan provisions for the City are as follows:

Employee deposit rate	7%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement elibility	20 years to any age, 5 years at age 60 and above
Upated service credit	100% repeating
Annuity increase to retirees	50% of CPI, repeating

Employees covered by benefit terms

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	101
Inactive employees entitled to but not yet receiving benefits	157
Active employees	288
	546

Contributions. The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are with 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contributions rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year . The contribution rates for the City were 15.47% and 15.67% in calendar years 2014 and 2015, respectively. The city's contributions to TMRS for the year ended September 30, 2015, were $2,711,603, and were equal to the required contributions.

Net Pension Liability. The city's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	7.0%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2014 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering the 2009 through 2011, and the dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	5.0%	8.50%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statue. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2013	$ 74,002,827	$ 61,819,575	$ 12,183,252
Changes for the year:			
Service cost	2,983,097	-	2,983,097
Interest	5,216,222	-	5,216,222
Change of benefit terms	-	-	-
Difference between expected and actual experience	(993,549)	-	(993,549)
Changes of assumptions	-	-	-
Contributions - employer	-	2,678,823	(2,678,823)
Contributions - employee	-	1,223,684	(1,223,684)
Net investment income	-	3,537,194	(3,537,194)
Benefit payments, including refunds of employee contributions	(1,953,842)	(1,953,842)	-
Administrative expense	-	(36,922)	36,922
Other changes	-	(3,036)	3,036
Net changes	5,251,928	5,445,901	(193,973)
Balance at 12/31/2014	$ 79,254,755	$ 67,265,476	$ 11,989,279

The following presents the net pension liability of the City, calculated using the discount rate of 7.0%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) of 1-percentage-higher (8.0%) than the current rate:

	1% Decrease in Discount Rate (6.0%)	Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
City's net pension liability	$ 24,613,220	$ 11,989,279	$ 1,730,377

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. The report may be obtained on the Internet at *www.tmrs.org.*

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended September 30, 2015, the City recognized pension expense of $2,676,881.

At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ 824,173
Changes in actuarial assumptions	-	-
Difference between projected and actual investment earnings	632,141	-
Contributions subsequent to the measurement date	1,959,395	-
Total	$ 2,591,536	$ 824,173

$1,959,395 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2015. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

Year Ended,	
2015	$(11,342)
2016	(11,342)
2017	(11,342)
2018	(11,341)
2019	(146,664)

Subsequent Event

Pursuant to TMRS policy of conducting experience studies every four years, the TMRS Board at their July 31, 2015 meeting determined that they would be changing certain actuarial assumptions including reducing the long term expected rate of return from the current 7.0% to 6.75% and changing the inflation assumption from 3.0% to 2.5%. Reduction of expected investment return and related discount rate will increase projected pension liabilities. Reducing the inflation assumption reduces liabilities as future annuity levels and future cost of living adjustments are not projected to be a large as originally projected. While the actual impact on the City's valuation for December 31, 2015 is not known the City does expect some downward pressure on its funded status and upward pressure on its 2017 actuarially determined contribution (ADC) due to this change.

D. Other Postemployment Benefits

Annual OPEB Cost and Net OPEB Obligation

The City's single-employer annual other postemployment benefit (OPEB) cost (expense) plan is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The City's annual OPEB cost for the current year and the related information is listed below:

Annual Required Contribution (ARC)	$ 105,335
Interest on Net Pension Obligation	27,827
Adjustment to the ARC	(13,250)
Annual Pension Cost	119,912
Contributions Made	(36,732)
Increase (Decrease) in Net Pension Obligation	83,180
Net Pension Obligation/(Asset), beginning of year	397,514
Net Pension Obligation/(Asset), ending of year	$ 480,694

The City does not issue separate financial statements for the plan and the City has not established a trust to fund the plan.

In addition to the employer contribution, the retirees paid $54,870 in the form of premiums which funded current medical claims.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the prior three years (4.5% discount rate, and level percent of pay amortization) is shown in the chart below:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
9/30/13	$ 85,652	$ -	0.0%	$ 294,294
9/30/14	107,412	4,192	3.9%	397,514
9/30/15	119,912	36,732	30.6%	480,694

Funding Status and Funding Progress

As of December 31, 2013, the actuarial accrued liability for benefits was $560,003 all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was $18,024,871 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 3.1%.

The projection of future payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 1, 2013, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of investment expenses) and an annual health care costs trend rate of 9 percent initially, reduced by decrements to an ultimate rate of 4.5 percent after 10 years. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at September 30, 2015, was 30 years. Inflation rates were assumed to be 3%.

E. Supplemental Death Benefits Plan (SDBF)

Supplemental Death Benefits Fund

The City also participates in the cost sharing multiple-employer defined benefit group term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance to provide group term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for $7,500; this coverage is an "other postemployment benefit," or OPEB.

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The City's contributions to the TMRS SDBF for the years ended September 30, 2015, 2014, and 2013, were $24,038 $22,676, and $21,947, respectively, which equaled the required contributions each year.

Schedule of Contribution Rates

Accounting Year Ending	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed	Net Pension Obligation
09/30/13	.13%	.13%	100%	$ -
09/30/14	.13%	.13%	100%	-
09/30/15	.14%	.14%	100%	-

THIS PAGE LEFT BLANK INTENTIONALLY

REQUIRED
SUPPLEMENTARY INFORMATION

CITY OF KELLER, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
Taxes:				
Property	$ 14,867,037	$ 14,867,037	$ 14,872,914	$ 5,877
Sales	5,298,080	5,298,080	5,340,418	42,338
Franchise	3,357,740	3,357,740	3,421,518	63,778
Mixed beverage	179,360	179,360	192,912	13,552
Permits, licenses and fees	1,900,800	1,900,800	1,899,434	(1,366)
Intergovernmental	2,692,030	2,692,030	2,890,652	198,622
Charges for services	1,449,445	1,449,445	1,561,413	111,968
Fines and forfeitures	918,000	918,000	1,017,820	99,820
Donations	26,800	26,800	42,964	16,164
Investment earnings	85,350	85,350	73,069	(12,281)
Miscellaneous	145,435	145,435	212,447	67,012
Total revenues	30,920,077	30,920,077	31,525,561	605,484
EXPENDITURES				
Current:				
General government	6,970,681	6,978,681	6,614,984	363,697
Public safety	15,655,572	15,656,572	15,042,122	614,450
Public works	2,465,895	2,507,570	2,165,626	341,944
Community development	1,573,870	1,573,870	1,365,628	208,242
Recreation and leisure	4,658,350	4,658,350	4,215,320	443,030
Capital outlay	1,833,340	1,791,665	1,238,198	553,467
Total expenditures	33,157,708	33,166,708	30,641,878	2,524,830
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,237,631)	(2,246,631)	883,683	3,130,314
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	17,510	17,510
Transfers in	3,238,715	3,238,715	3,238,715	-
Transfers out	(300,000)	(300,000)	(346,292)	(46,292)
Total other financing sources and uses	2,938,715	2,938,715	2,909,933	(28,782)
NET CHANGE IN FUND BALANCE	701,084	692,084	3,793,616	3,101,532
FUND BALANCE, BEGINNING	16,338,933	16,338,933	16,338,933	-
FUND BALANCE, ENDING	$ 17,040,017	$ 17,031,017	$ 20,132,549	$ 3,101,532

CITY OF KELLER, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

CRIME CONTROL PREVENTION DISTRICT FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
Taxes:				
Sales	$ 1,200,645	$ 1,200,645	$ 1,254,542	$ 53,897
Intergovernmental	20,000	20,000	20,000	-
Investment earnings	7,500	7,500	8,032	532
Total revenues	1,228,145	1,228,145	1,282,574	54,429
EXPENDITURES				
Current:				
Public safety	124,100	127,850	120,705	7,145
Capital outlay	313,094	310,594	259,119	51,475
Debt service:				
Principal	330,000	330,000	330,000	-
Interest and other charges	199,500	199,500	198,250	1,250
Total expenditures	966,694	967,944	908,074	59,870
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	261,451	260,201	374,500	114,299
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	10,000	10,000	9,945	(55)
Total other financing sources and uses	10,000	10,000	9,945	(55)
NET CHANGE IN FUND BALANCE	271,451	270,201	384,445	114,244
FUND BALANCE, BEGINNING	3,050,032	3,050,032	3,050,032	-
FUND BALANCE, ENDING	$ 3,321,483	$ 3,320,233	$ 3,434,477	$ 114,244

CITY OF KELLER, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2015

BUDGETARY INFORMATION

Annual appropriated budgets are legally adopted for the General Fund, Debt Service Funds, Special Revenue Funds (excepting the Public Safety Fund), and certain Capital Projects Funds (Park Development, Street/Sidewalk Improvements, and Equipment Replacement Funds) on a basis consistent with generally accepted accounting principles. An annual non-appropriated budget is adopted for the City's Water and Wastewater Utilities and Drainage Utility Enterprise Funds on a non-GAAP basis for managerial control. Project length budgets are adopted for certain Capital Projects Funds (Capital Projects, Roadway Impact fee, and Parks Capital Improvements Funds), and Public Safety Fund and amended on an annual basis to reflect the uncompleted portion of the projects. These funds adopt their budget based on individual projects that cross fund years. An annual comparison does not fairly represent the budgetary results for multiple year projects.

The original budget is adopted by the City Council prior to the beginning of the fiscal year. Transfers are made during the year, provided transfers do not result in an increase in total expenditures. Any budget amendments that would result in an increase in total expenditures requires a formal budget amendment approved by the City Council. Unused budget appropriations lapse at year-end unless carried forward to the next year by Council action. The final budget is legally adopted by the Council prior to September 30 of each year.

The City Manager has the authority to transfer available appropriation balances from one expenditure category to another within a fund. Although costs are internally monitored by specific expenditure line-items, the legal level of control (level at which expenditures may not exceed budget) is the fund level. The reported budgetary data includes transfers and amendments authorized during the year.

CITY OF KELLER, TEXAS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND REALTED RATIOS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

Plan Year	**2014**
A. Total pension liability	
Service Cost	$ 2,983,097
Interest (on the Total Pension Liability)	5,216,222
Difference between expected and actual experience	(993,549)
Benefit payments, including refunds of employee contributions	(1,953,842)
Net change in total pension liability	5,251,928
Total pension liability - beginning	74,002,827
Total pension liability - ending (a)	$ 79,254,755
B. Plan fiduciary net position	
Contributions - Employer	$ 2,678,823
Contributions - Employee	1,223,684
Net Investment Income	3,537,194
Benefit payments, including refunds of employee contributions	(1,953,842)
Administrative Expenses	(36,922)
Other	(3,036)
Net change in plan fiduciary net position	5,445,901
Plan fiduciary net position - beginning	61,819,575
Plan fiduciary net position - ending (b)	$ 67,265,476
C. Net pension liability - ending (a) - (b)	$ 11,989,279
D. Plan fiduciary net position as a percentage of total pension liability	84.87%
E. Covered employee payroll	$ 17,462,991
F. Net position liability as a percentage of covered employee payroll	68.66%

CITY OF KELLER, TEXAS

SCHEDULE OF CONTRIBUTIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

Plan Year	2014	2015
Actuarial determined contribution	$ 2,660,624	$ 2,711,603
Contributions in relation to the actuarially determined contribution	2,660,624	2,711,603
Contribution deficiency (excess)	-	-
Covered employee payroll	17,443,044	17,520,409
Contributions as a percentage of covered employee payroll	15.25%	15.48%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

Notes	Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	3.00%
Salary Increases	3.50% to 12.00% including inflation
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005-2009.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis of with BB.

Other Information:

Notes	There were no benefit changes during the year.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Library Fund – This fund accounts for public donations and revenues designated for Library improvements.

Municipal Court Fund – This fund accounts for technology and building security fees collected from Municipal Court citations. Expenditures from these fees are specifically designated by state law.

Public Safety Fund – This fund accounts for revenues derived from forfeiture and seizure of assets resulting from illegal narcotic activity. Expenditures are restricted for the Police Department to be used in illegal narcotic enforcement.

Contributions/Donations Fund – This fund is to account for contributions, donations, and other resources that are dedicated for specific uses or purposes.

Keller Development Corporation Fund – This fund is used to account for collection of sales and use taxes for the payment of bonds or other forms of indebtedness to finance the cost of Keller parks.

DEBT SERVICE FUND

Debt Service Funds are used to account for the accumulation of resources for, and payment of, general obligation principal and interest, except for those certificates of obligation serviced by the Enterprise Fund.

TIF #1 Interest and Sinking Fund – This fund is to account for accumulation of incremental property taxes from within the zone for payment of TIF debt.

CAPITAL PROJECTS FUND

The ***Capital Projects Funds*** account for all resources used for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

Capital Projects Fund – This fund is used to account for acquisition or construction of capital assets.

Roadway Impact Fees Fund – This fund is used to account for revenues that are restricted for roadway improvements. Authorized expenditures include improvements and engineering.

Park Development Fee Fund – This fund is used to account for resources received primarily from park development fees and expenditures to specific park improvements.

Street/Sidewalk Improvements Fund – This fund is used to account for revenues that are restricted for street and sidewalk improvements. Authorized expenditures include improvements and related engineering.

Equipment Replacement Fund – This fund is used to account for capital equipment acquisitions that are financed by either intergovernmental transfers, short-term debt (debt maturing in five years or less), or a combination of both.

Parks Capital Improvements Fund – This fund is to account for acquisition or construction of capital assets.

CITY OF KELLER, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2015

	Special Revenue Funds				
	Library	Municipal Court	Public Safety	Contributions/ Donations	Keller Development Corporation
ASSETS					
Cash and cash equivalents	$ 189	$ 873	$ 84	$ 9,906	$ 1,537
Investments	30,432	57,294	106,580	20,810	2,393,857
Receivables, net of allowances for uncollectibles					
Taxes	-	-	-	-	480,222
Accounts	-	768	-	-	-
Interest	16	256	55	16	1,168
Other	-	-	-	-	-
Due from other funds	-	53,812	-	-	-
Due from other governments	-	8,091	-	-	-
Total assets	30,637	121,094	106,719	30,732	2,876,784
LIABILITIES					
Accounts payable	4,905	1,380	12,857	-	9,320
Accrued liabilities	-	-	-	-	4,195
Due to other funds	-	-	66	-	202,803
Due to other governments	-	-	-	-	-
Deferred revenue	-	-	32,033	-	-
Total liabilities	4,905	1,380	44,956	-	216,318
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - court fines	-	768	-	-	-
Unavailable revenue - assessments	-	-	-	-	-
Total deferred inflows of resources	-	768	-	-	-
FUND BALANCES					
Restricted	25,732	118,946	61,763	30,732	2,660,466
Total fund balances	25,732	118,946	61,763	30,732	2,660,466
Total liabilities, deferred inflows of resources and fund balances	$ 30,637	$ 121,094	$ 106,719	$ 30,732	$ 2,876,784

Debt Service Fund	Capital Project Funds						
TIF #1 Interest and Sinking	Capital Projects	Roadway Impact Fee	Park Development Fee	Street/ Sidewalk Improvements	Equipment Replacement	Parks Capital Improvements	Total Nonmajor Governmental Funds
$ 82,240	$ 4,604	$ 29,206	$ 45,386	$ 2,201	$ 1,208	$ 4,709	$ 182,143
1,129,216	2,327,883	5,299,560	906,492	2,640,583	891,937	3,069,654	18,874,298
16,789	-	-	-	240,302	-	-	737,313
-	-	38,628	-	-	18,900	-	58,296
600	1,202	2,752	491	1,413	765	6,808	15,542
-	-	-	-	16	-	-	16
-	-	27,688	-	90,511	327,109	154,730	653,850
-	-	-	-	-	-	-	8,091
1,228,845	2,333,689	5,397,834	952,369	2,975,026	1,239,919	3,235,901	20,529,549
-	-	7,890	-	158,550	-	179,576	374,478
-	-	-	-	-	-	-	4,195
-	-	-	4,400	-	-	-	207,269
3,083	-	-	-	-	-	-	3,083
-	-	-	-	-	-	-	32,033
3,083	-	7,890	4,400	158,550	-	179,576	621,058
-	-	-	-	-	-	-	768
16,789	-	-	-	57	-	-	16,846
16,789	-	-	-	57	-	-	17,614
1,208,973	2,333,689	5,389,944	947,969	2,816,419	1,239,919	3,056,325	19,890,877
1,208,973	2,333,689	5,389,944	947,969	2,816,419	1,239,919	3,056,325	19,890,877
$ 1,228,845	$ 2,333,689	$ 5,397,834	$ 952,369	$ 2,975,026	$ 1,239,919	$ 3,235,901	$ 20,529,549

CITY OF KELLER, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Special Revenue Funds				
	Library	Municipal Court	Public Safety	Contributions/ Donations	Keller Development Corporation
REVENUES					
Taxes:					
Property	$ -	$ -	$ -	$ -	$ -
Sales	-	-	-	-	2,709,926
Permits, licenses and fees	-	-	-	-	-
Intergovernmental	1,884	-	73,872	-	-
Charges for services	2,575	-	-	1,061	-
Fines and forfeitures	-	125,679	-	-	-
Special assessments and impact fees	-	-	-	-	-
Donations	33,443	-	32,049	-	-
Investment earnings	66	2,391	376	157	5,865
Miscellaneous	-	-	355	-	12,000
Total revenues	37,968	128,070	106,652	1,218	2,727,791
EXPENDITURES					
Current:					
General government	-	122,901	-	-	-
Public safety	-	-	118,261	-	-
Public works	-	-	3,686	-	-
Recreation and leisure	16,790	-	-	-	17,051
Capital outlay	-	-	-	-	311,666
Debt service:					
Principal	-	-	-	-	1,238,327
Interest and other charges	-	-	-	-	353,594
Total expenditures	16,790	122,901	121,947	-	1,920,638
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	21,178	5,169	(15,295)	1,218	807,153
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	-	-	-	-	7,050
Bonds issued	-	-	-	-	1,040,000
Premium on bond issue	-	-	-	-	18,478
Payment to refunded bond escrow agent	-	-	-	-	(1,049,384)
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	(170,188)
Total other financing sources and uses	-	-	-	-	(154,044)
NET CHANGE IN FUND BALANCES	21,178	5,169	(15,295)	1,218	653,109
FUND BALANCES, BEGINNING	4,554	113,777	77,058	29,514	2,007,357
FUND BALANCES, ENDING	$ 25,732	$ 118,946	$ 61,763	$ 30,732	$ 2,660,466

Debt Service Fund	Capital Project Funds						
TIF #1 Interest and Sinking	Capital Projects	Roadway Impact Fee	Park Development Fee	Street/ Sidewalk Improvements	Equipment Replacement	Parks Capital Improvements	Total Nonmajor Governmental Funds
$ 3,069,216	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,069,216
-	-	-	-	1,355,161	-	-	4,065,087
-	-	-	179,585	-	-	-	179,585
-	-	-	-	-	-	115,181	190,937
-	-	-	-	-	-	-	3,636
-	-	-	-	-	-	-	125,679
-	-	527,821	-	48,500	-	-	576,321
-	-	-	-	-	-	-	65,492
708,054	9,044	18,707	3,265	9,809	5,600	10,633	773,967
-	-	-	-	-	-	-	12,355
3,777,270	9,044	546,528	182,850	1,413,470	5,600	125,814	9,062,275
-	500	15,309	-	-	-	-	138,710
-	-	-	-	-	-	-	118,261
-	-	-	-	120,538	-	-	124,224
-	-	-	22,866	-	-	-	56,707
-	566,748	7,890	4,400	1,506,573	158,617	738,122	3,294,016
2,520,000	-	-	-	-	-	-	3,758,327
582,085	-	-	-	-	-	44,832	980,511
3,102,085	567,248	23,199	27,266	1,627,111	158,617	782,954	8,470,756
675,185	(558,204)	523,329	155,584	(213,641)	(153,017)	(657,140)	591,519
-	-	-	-	-	62,998	-	70,048
9,545,000	-	-	-	-	-	3,870,000	14,455,000
-	-	-	-	-	-	-	18,478
(10,159,338)	-	-	-	-	-	-	(11,208,722)
733,592	-	-	-	-	430,520	-	1,164,112
-	-	-	-	-	-	-	(170,188)
119,254	-	-	-	-	493,518	3,870,000	4,328,728
794,439	(558,204)	523,329	155,584	(213,641)	340,501	3,212,860	4,920,247
414,534	2,891,893	4,866,615	792,385	3,030,060	899,418	(156,535)	14,970,630
$ 1,208,973	$ 2,333,689	$ 5,389,944	$ 947,969	$ 2,816,419	$ 1,239,919	$ 3,056,325	$ 19,890,877

THIS PAGE LEFT BLANK INTENTIONALLY

BUDGETARY
COMPARISON SCHEDULES

THIS PAGE LEFT BLANK INTENTIONALLY

CITY OF KELLER, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

GENERAL OBLIGATION DEBT SERVICE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes:				
Property	$ 4,804,770	$ 4,804,770	$ 4,801,452	$(3,318)
Investment earnings	6,000	6,000	6,694	694
Total revenues	4,810,770	4,810,770	4,808,146	(2,624)
EXPENDITURES				
Debt service:				
Principal	3,482,580	3,482,580	3,494,833	(12,253)
Interest and other charges	1,166,665	1,166,665	1,161,572	5,093
Total expenditures	4,649,245	4,649,245	4,656,405	(7,160)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	161,525	161,525	151,741	(9,784)
OTHER FINANCING SOURCES (USES)				
Bonds Issued	5,125,000	5,125,000	5,125,000	-
Premium on bond issue	275,735	275,735	275,735	-
Payment to refunded bond escrow agrent	(5,352,400)	(5,352,400)	(5,352,396)	4
Transfers in	134,485	134,485	143,943	9,458
Transfers out	(687,300)	(687,300)	(687,300)	-
Total other financing sources and uses	(504,480)	(504,480)	(495,018)	9,462
NET CHANGE IN FUND BALANCE	(342,955)	(342,955)	(343,277)	(322)
FUND BALANCE, BEGINNING	517,239	517,239	517,239	-
FUND BALANCE, ENDING	$ 174,284	$ 174,284	$ 173,962	$(322)

CITY OF KELLER, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

LIBRARY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Intergovernmental	$ -	$ -	$ 1,884	$ 1,884
Charges for services	2,200	2,200	2,575	375
Donations	32,500	32,500	33,443	943
Investment earnings	450	450	66	(384)
Total revenues	35,150	35,150	37,968	2,818
EXPENDITURES				
Current:				
Recreation and leisure	15,000	15,000	16,790	(1,790)
Total expenditures	15,000	15,000	16,790	(1,790)
NET CHANGE IN FUND BALANCE	20,150	20,150	21,178	1,028
FUND BALANCE, BEGINNING	4,554	4,554	4,554	-
FUND BALANCE, ENDING	$ 24,704	$ 24,704	$ 25,732	$ 1,028

CITY OF KELLER, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

MUNICIPAL COURT FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Fines and forfeitures	$ 111,600	$ 111,600	$ 125,679	$ 14,079
Investment earnings	1,950	1,950	2,391	441
Total revenues	113,550	113,550	128,070	14,520
EXPENDITURES				
Current:				
General government	127,490	127,490	122,901	4,589
Total expenditures	127,490	127,490	122,901	4,589
NET CHANGE IN FUND BALANCE	(13,940)	(13,940)	5,169	19,109
FUND BALANCE, BEGINNING	113,777	113,777	113,777	-
FUND BALANCE, ENDING	$ 99,837	$ 99,837	$ 118,946	$ 19,109

CITY OF KELLER, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

KELLER DEVELOPMENT CORPORATION

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes:				
Sales	$ 2,649,040	$ 2,649,040	$ 2,709,926	$ 60,886
Investment earnings	3,500	3,500	5,865	2,365
Miscellaneous	12,000	12,000	12,000	-
Total revenues	2,664,540	2,664,540	2,727,791	63,251
EXPENDITURES				
Current:				
Recreation and leisure	21,815	21,815	17,051	4,764
Capital outlay	646,800	646,800	311,666	335,134
Debt service:				
Principal	1,238,330	1,238,330	1,238,327	3
Interest and other charges	354,200	354,200	353,594	606
Total expenditures	2,261,145	2,261,145	1,920,638	340,507
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	403,395	403,395	807,153	403,758
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	7,050	7,050
Bonds issued	1,040,000	1,040,000	1,040,000	-
Premium on bond issue	18,480	18,480	18,478	(2)
Payment to refunding bond escrow agrent	(1,050,100)	(1,050,100)	(1,049,384)	716
Transfers out	(172,985)	(172,985)	(170,188)	2,797
Total other financing sources and uses	(164,605)	(164,605)	(154,044)	10,561
NET CHANGE IN FUND BALANCE	238,790	238,790	653,109	414,319
FUND BALANCE, BEGINNING	2,007,357	2,007,357	2,007,357	-
FUND BALANCE, ENDING	$ 2,246,147	$ 2,246,147	$ 2,660,466	$ 414,319

CITY OF KELLER, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

TIF #1 INTEREST AND SINKING

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes:				
Property	$ 3,069,225	$ 3,069,225	$ 3,069,216	$(9)
Investment earnings	9,000	9,000	708,054	699,054
Total revenues	3,078,225	3,078,225	3,777,270	699,045
EXPENDITURES				
Debt service:				
Principal	2,430,000	2,430,000	2,520,000	(90,000)
Interest and other charges	643,015	643,015	582,085	60,930
Total expenditures	3,073,015	3,073,015	3,102,085	(29,070)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	5,210	5,210	675,185	669,975
OTHER FINANCING SOURCES (USES)				
Bonds issued	9,545,000	9,545,000	9,545,000	-
Payment to refunded bond escrow agent	(10,159,340)	(10,159,340)	(10,159,338)	2
Transfers in	687,300	687,300	733,592	46,292
Total other financing sources and uses	72,960	72,960	119,254	46,294
NET CHANGE IN FUND BALANCE	78,170	78,170	794,439	716,269
FUND BALANCE, BEGINNING	414,534	414,534	414,534	-
FUND BALANCE, ENDING	$ 492,704	$ 492,704	$ 1,208,973	$ 716,269

CITY OF KELLER, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

PARK DEVELOPMENT FEE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Permits, licenses and fees	$ 180,000	$ 180,000	$ 179,585	$(415)
Investment earnings	1,000	1,000	3,265	2,265
Total revenues	181,000	181,000	182,850	1,850
EXPENDITURES				
Current:				
Recreation and leisure	22,035	22,035	22,866	(831)
Capital outlay	-	-	4,400	(4,400)
Total expenditures	22,035	22,035	27,266	(5,231)
NET CHANGE IN FUND BALANCE	158,965	158,965	155,584	(3,381)
FUND BALANCE, BEGINNING	792,385	792,385	792,385	-
FUND BALANCE, ENDING	$ 951,350	$ 951,350	$ 947,969	$(3,381)

CITY OF KELLER, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

STREET/SIDEWALK IMPROVEMENTS FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes:				
Sales	$ 1,350,739	$ 1,350,739	$ 1,355,161	$ 4,422
Special assessments and impact fees	48,000	48,000	48,500	500
Investment earnings	6,170	6,170	9,809	3,639
Total revenues	1,404,909	1,404,909	1,413,470	8,561
EXPENDITURES				
Current:				
Public works	130,000	130,000	120,538	9,462
Capital outlay	1,306,254	1,306,254	1,506,573	(200,319)
Total expenditures	1,436,254	1,436,254	1,627,111	(190,857)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(31,345)	(31,345)	(213,641)	(182,296)
NET CHANGE IN FUND BALANCE	(31,345)	(31,345)	(213,641)	(182,296)
FUND BALANCE, BEGINNING	3,030,060	3,030,060	3,030,060	-
FUND BALANCE, ENDING	$ 2,998,715	$ 2,998,715	$ 2,816,419	$(182,296)

CITY OF KELLER, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

EQUIPMENT REPLACEMENT FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Investment earnings	$ 3,000	$ 3,000	$ 5,600	$ 2,600
Total revenues	3,000	3,000	5,600	2,600
EXPENDITURES				
Capital outlay	171,100	171,100	158,617	12,483
Total expenditures	171,100	171,100	158,617	12,483
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(168,100)	(168,100)	(153,017)	15,083
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	45,000	45,000	62,998	17,998
Transfers in	430,520	430,520	430,520	-
Total other financing sources and uses	475,520	475,520	493,518	17,998
NET CHANGE IN FUND BALANCE	307,420	307,420	340,501	33,081
FUND BALANCE, BEGINNING	899,418	899,418	899,418	-
FUND BALANCE, ENDING	$ 1,206,838	$ 1,206,838	$ 1,239,919	$ 33,081

STATISTICAL SECTION

STATISTICAL SECTION
(Unaudited)

This part of the City of Keller, Texas' comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents

	Page
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	98
Revenue Capacity These schedules contain trend information to help the reader assess the City's most significant local revenue sources, the property tax and largest water customers.	108
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	119
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	125
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	127

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City began implementing GASB Statement 34 in fiscal year 2003. The City completed infrastructure transition in 2005; schedules presenting government-wide information include information beginning that year.

CITY OF KELLER, TEXAS

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS

(Accrual Basis)

	Fiscal Year			
	2006	2007	2008	2009
Governmental activities:				
Net investment in capital assets	$ 63,207,052	$ 64,573,383	$ 74,502,492	$ 70,395,104
Restricted	9,909,962	11,798,349	10,921,916	10,502,026
Unrestricted	8,009,253	9,624,564	7,002,508	9,709,689
Total governmental activities net position	$ 81,126,267	$ 85,996,296	$ 92,426,916	$ 90,606,819
Business-type activities:				
Net investment in capital assets	$ 52,467,582	$ 53,805,294	$ 58,364,350	$ 59,189,455
Restricted	496,892	518,135	9,453,952	9,453,952
Unrestricted	16,596,805	16,403,823	8,190,132	7,658,655
Total business-type activities net position	$ 69,561,279	$ 70,727,252	$ 76,008,434	$ 76,302,062
Primary government:				
Net investment in capital assets	$ 115,674,634	$ 118,378,677	$ 132,866,842	$ 129,584,559
Restricted	10,406,854	12,316,484	20,375,868	19,955,978
Unrestricted	24,606,058	26,028,387	15,192,640	17,368,344
Total primary government net position	$ 150,687,546	$ 156,723,548	$ 168,435,350	$ 166,908,881

TABLE 1

Fiscal Year					
2010	2011	2012	2013	2014	2015
$ 71,137,063	$ 75,942,510	$ 77,053,091	$ 81,997,316	$ 96,268,556	$ 94,005,152
10,707,393	17,554,282	20,931,028	22,640,243	22,061,750	29,365,446
12,066,456	7,784,575	10,160,534	9,007,099	7,672,607	1,774,887
$ 93,910,912	$ 101,281,367	$ 108,144,653	$ 113,644,658	$ 126,002,913	$ 125,145,485
$ 58,426,495	$ 61,139,904	$ 60,610,385	$ 60,654,886	$ 58,172,320	$ 62,680,465
9,287,306	9,453,952	8,219,575	8,219,575	7,781,518	1,169,197
8,006,813	9,177,880	11,001,160	11,139,589	18,030,492	17,545,138
$ 75,720,614	$ 79,771,736	$ 79,831,120	$ 80,014,050	$ 83,984,330	$ 81,394,800
$ 129,563,558	$ 137,082,414	$ 137,663,476	$ 142,652,202	$ 154,440,876	$ 156,685,617
19,994,699	27,008,234	29,150,603	30,859,818	29,843,268	30,534,643
20,073,269	16,962,455	21,161,694	20,146,688	25,703,099	19,320,025
$ 169,631,526	$ 181,053,103	$ 187,975,773	$ 193,658,708	$ 209,987,243	$ 206,540,285

CITY OF KELLER, TEXAS

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

(Accrual Basis)

	Fiscal Year			
	2006	2007	2008	2009
EXPENSES				
Governmental activities:				
General government	$ 5,046,206	$ 5,495,707	$ 5,630,782	$ 7,413,655
Public safety	10,627,205	12,162,131	13,969,085	14,740,695
Public works	7,735,718	7,800,979	9,067,983	8,260,487
Community development	1,251,056	1,231,365	1,291,819	1,161,434
Recreation and leisure	8,089,054	8,449,576	8,592,564	9,483,618
Interest and fiscal charges	4,303,912	3,909,308	3,794,400	3,723,887
Total governmental activities expenses	37,053,151	39,049,066	42,346,633	44,783,776
Business-type activities:				
Water and wastewater utilities	14,859,712	14,664,225	15,056,060	15,146,621
Drainage utility	1,641,685	1,819,672	1,839,441	1,869,860
Recreation / Aquatic Center	-	-	-	-
Total business-type activities expenses	16,501,397	16,483,897	16,895,501	17,016,481
Total primary government program expenses	$ 53,554,548	$ 55,532,963	$ 59,242,134	$ 61,800,257
PROGRAM REVENUES				
Governmental activities:				
Charges for services:				
Public works	$ 1,437,910	$ 920,400	$ 42,787	$ 15,200
Recreation and leisure	2,879,647	3,484,293	3,247,187	3,172,091
Other activities	5,725,963	5,717,426	3,957,986	3,215,505
Operating grants and contributions	241,527	241,636	2,483,052	2,400,191
Capital grants and contributions	2,904,694	2,640,281	6,297,308	497,454
Total governmental activities program revenues	13,189,741	13,004,036	16,028,320	9,300,441
Business-type activities:				
Charges for services:				
Water and wastewater utilities	18,725,239	15,100,194	18,403,123	17,785,742
Drainage utility	819,233	855,817	891,424	929,902
Recreation / Aquatic Center	-	-	-	-
Operating grants and contributions	-	-	-	-
Capital grants and contributions	4,555,755	2,579,605	5,351,853	1,332,860
Total business-type activities program revenues	24,100,227	18,535,616	24,646,400	20,048,504
Total primary government program revenues	$ 37,289,968	$ 31,539,652	$ 40,674,720	$ 29,348,945

TABLE 2

Fiscal Year					
2010	2011	2012	2013	2014	2015
$ 7,389,603	$ 7,618,197	7,470,050	$ 7,973,740	$ 7,011,362	$ 9,224,860
14,258,649	17,358,623	18,753,263	19,415,960	16,756,956	20,941,821
7,189,802	2,560,006	2,823,250	2,981,588	2,490,468	3,138,376
1,100,186	1,183,353	1,283,179	1,425,851	1,357,417	1,870,887
7,546,936	4,866,264	5,125,705	5,345,157	4,938,515	5,855,468
3,790,680	3,632,289	3,213,594	3,277,731	2,882,936	2,542,830
41,275,856	37,218,732	38,669,042	40,420,027	35,437,654	43,574,242
15,214,564	17,807,093	16,757,059	17,055,816	18,496,707	20,294,433
1,972,553	1,987,027	2,054,396	2,004,342	2,040,218	2,172,976
-	2,854,913	2,892,151	3,080,094	2,669,471	2,600,639
17,187,117	22,649,033	21,703,606	22,140,252	23,206,396	25,068,048
$ 58,462,973	$ 59,867,765	$ 60,372,648	$ 62,560,279	$ 58,644,050	$ 68,642,290
$ 11,354	$ 35,207	$ 39,828	$ 56,267	$ 79,719	$ 82,024
3,166,420	329,768	283,440	628,121	915,060	544,882
3,622,406	3,442,865	3,501,127	4,004,921	4,891,778	4,334,299
2,358,986	5,300,350	2,301,766	2,751,993	3,590,362	3,373,672
445,168	630,960	3,969,333	1,117,756	251,533	285,924
9,604,334	9,739,150	10,095,494	8,559,058	9,728,452	8,620,801
17,301,977	21,461,471	20,316,352	20,518,382	21,546,501	21,483,165
1,507,699	1,484,183	1,505,930	1,540,590	1,569,419	1,610,683
-	3,002,013	3,026,909	3,087,021	3,029,667	2,982,350
-	-	-	-	-	-
1,517,538	3,902,205	294,957	1,010,366	4,977,753	1,243,665
20,327,214	29,849,872	25,144,148	26,156,359	31,123,340	27,319,863
$ 29,931,548	$ 39,589,022	$ 35,239,642	$ 34,715,417	$ 40,851,792	$ 35,940,664

CITY OF KELLER, TEXAS

CHANGES IN NET POSITION
(Continued)
LAST TEN FISCAL YEARS
(Accrual Basis)

	Fiscal Year			
	2006	2007	2008	2009
NET (EXPENSE) REVENUES				
Governmental activities	$(23,863,410)	$(26,045,030)	$(26,318,313)	$(35,483,335)
Business-type activities	7,598,830	2,051,719	7,750,899	3,032,023
Total primary government net expense	$(16,264,580)	$(23,993,311)	$(18,567,414)	$(32,451,312)
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION				
Governmental activities:				
Taxes				
Property	14,459,067	16,079,035	17,325,312	19,156,565
Sales	7,534,423	8,294,981	8,654,735	8,045,471
Franchise	3,089,399	3,182,681	2,579,383	2,520,961
Mixed beverage	49,460	53,482	52,475	55,350
Investment earnings	930,146	1,253,401	859,258	565,181
Miscellaneous	4,660	16,680	65,260	128,425
Gain (loss) on sale of capital assets	-	(155,856)	26,973	-
Litigation settlement	-	298,249	-	-
Transfers	2,192,110	1,892,406	3,185,538	3,191,285
Total governmental activities	28,259,265	30,915,059	32,748,934	33,663,238
Business-type activities:				
Investment earnings	715,250	947,920	611,410	395,290
Miscellaneous revenue (expense)	2,599	66,392	37,408	40,255
Gain (loss) on sale of capital assets	-	(7,652)	67,003	17,345
Transfers	(2,192,110)	(1,892,406)	(3,185,538)	(3,191,285)
Total business-type activities	(1,474,261)	(885,746)	(2,469,717)	(2,738,395)
Total primary government	26,785,004	30,029,313	30,279,217	30,924,843
CHANGE IN NET POSITION				
Governmental activities	4,395,855	4,870,029	6,430,621	(1,820,097)
Business-type activities	6,124,569	1,165,973	5,281,182	293,628
Total primary government	$ 10,520,424	$ 6,036,002	$ 11,711,803	$(1,526,469)

TABLE 2
(continued)

Fiscal Year					
2010	2011	2012	2013	2014	2015
$(31,671,522)	$(27,479,582)	$(28,573,548)	$(31,860,969)	$(25,709,202)	$(34,953,441)
3,140,097	7,200,839	3,440,542	4,016,107	7,916,944	2,251,815
$(28,531,425)	$(20,278,743)	$(25,133,006)	$(27,844,862)	$(17,792,258)	$(32,701,626)
20,250,125	19,794,916	20,036,667	20,691,721	21,526,556	22,777,252
7,939,671	8,087,781	8,615,790	9,184,887	9,817,716	10,660,047
2,788,527	2,988,616	2,830,981	2,850,968	3,157,388	3,421,518
60,935	64,242	61,567	92,029	128,832	192,912
232,082	280,809	192,931	153,767	180,677	861,938
292,685	295,808	270,763	295,807	240,932	164,711
-	-	18,508	104,855	98,274	15,891
-	-	-	-	-	-
3,411,590	3,652,445	3,549,470	3,986,940	3,826,555	3,342,990
34,975,615	35,164,617	35,576,677	37,360,974	38,976,930	41,437,259
92,367	137,567	122,036	102,252	121,260	80,990
30,943	59,619	46,276	51,511	42,688	54,614
(433,265)	-	-	-	-	-
(3,411,590)	(3,661,483)	(3,549,470)	(3,986,940)	(3,826,555)	(3,342,990)
(3,721,545)	(3,464,297)	(3,381,158)	(3,833,177)	(3,662,607)	(3,207,386)
31,254,070	31,700,320	32,195,519	33,527,797	35,314,323	38,229,873
3,304,093	7,685,035	7,003,129	5,500,005	13,267,728	6,483,818
(581,448)	3,736,542	59,384	182,930	4,254,337	(955,571)
$ 2,722,645	$ 11,421,577	$ 7,062,513	$ 5,682,935	$ 17,522,065	$ 5,528,247

THIS PAGE LEFT BLANK INTENTIONALLY

CITY OF KELLER, TEXAS

FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(Accrual Basis)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General fund										
Reserved	$ 366,151	$ 477,043	$ 505,169	$ 713,187	$ 852,300	$ -	$ -	$ -	$ -	$ -
Non-spendable	-	-	-	-	-	437,749	70,120	72,597	108,298	127,462
Assigned	-	-	-	-	-	655,573	941,993	5,646,441	6,849,905	10,081,509
Unreserved	6,710,715	6,620,147	7,779,047	8,356,777	9,951,738	-	-	-	-	-
Unassigned	-	-	-	-	-	11,596,853	11,375,745	9,362,608	9,380,730	9,923,578
Total general fund	$ 7,076,866	$ 7,097,190	$ 8,284,216	$ 9,069,964	$ 10,804,038	$ 12,690,175	$ 12,387,858	$ 15,081,646	$ 16,338,933	$ 20,132,549
All other governmental funds										
Reserved:										
Debt service	$ 1,064,520	$ 869,096	$ 1,020,122	$ 752,552	$ 626,785	$ -	$ -	$ -	$ -	$ -
Other	4,003,778	6,278,438	9,350,456	10,279,593	7,004,255	-	-	-	-	-
Unreserved, reported in:										
Special revenue	1,835,923	1,928,273	3,019,066	8,529,094	12,737,304	-	-	-	-	-
Capital projects	4,541,543	4,328,474	(2,501,535)	(3,001,569)	584,935	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	1,056,122	2,007,357	2,660,466
Non-spendable	-	-	-	-	-	1,251	1,771	125	-	-
Restricted:										
Debt service	-	-	-	-	-	564,353	545,493	690,229	931,773	1,382,935
Capital projects	-	-	-	-	-	12,410,163	9,985,464	11,114,335	12,480,371	15,784,265
Other	-	-	-	-	-	4,579,766	11,083,156	6,296,968	3,274,935	3,671,650
Unassigned	-	-	-	-	-	-	-	-	(156,535)	-
Total all other governmental funds	$ 11,445,764	$ 13,404,281	$ 10,888,109	$ 16,559,670	$ 20,953,279	$ 17,555,533	$ 21,615,884	$ 19,157,779	$ 18,537,901	$ 23,499,316

CITY OF KELLER, TEXAS

CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS
(Accrual Basis)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
REVENUES										
Taxes	$ 25,280,908	$ 27,436,311	$ 28,984,792	$ 29,764,912	$ 30,875,274	$ 30,917,467	$ 31,604,211	$ 32,846,813	$ 34,626,731	$ 37,018,059
Licenses, fees and permits	2,687,921	1,981,637	1,753,197	1,119,177	1,492,765	1,271,576	1,313,373	2,214,199	2,300,895	2,079,019
Intergovernmental	885,493	1,584,392	2,433,675	2,220,113	2,243,917	5,521,904	5,752,557	2,915,931	3,611,678	3,101,589
Charges for services	3,298,315	3,642,795	4,009,487	4,068,661	4,225,420	1,473,354	1,429,532	1,409,324	1,498,686	1,565,049
Fines	1,174,530	1,177,651	1,059,808	996,203	946,204	883,816	923,809	901,147	1,326,291	1,143,499
Special assessments and impact fees	1,220,663	865,963	794,323	533,903	530,996	406,801	576,455	906,533	885,077	576,321
Donations	151,921	497,102	295,879	179,443	116,425	65,986	75,915	102,617	96,580	108,456
Interest income	930,146	1,253,401	859,258	565,181	232,082	280,479	192,931	153,767	180,496	861,762
Miscellaneous	556,088	902,062	368,711	411,048	345,339	350,563	325,397	350,608	295,074	224,802
Total revenues	36,185,985	39,341,314	40,559,130	39,858,641	41,008,422	41,171,946	42,194,180	41,800,939	44,821,508	46,678,556
EXPENDITURES										
Current:										
General government	4,174,610	5,097,346	4,865,176	5,664,989	5,912,363	6,029,397	5,770,520	6,077,590	6,269,082	6,753,694
Public safety	9,630,205	11,111,382	12,888,788	13,464,699	13,245,554	14,183,759	14,486,660	14,628,765	14,968,628	15,281,088
Public works	1,915,734	1,944,150	2,147,931	2,078,623	2,167,078	2,091,785	2,180,925	2,272,568	2,224,682	2,289,850
Community development	1,216,936	1,208,865	1,265,371	1,148,647	1,082,844	966,920	991,240	1,086,784	1,212,552	1,365,628
Recreation and leisure	6,245,698	6,512,392	6,648,619	6,901,084	6,594,491	3,976,232	3,959,543	4,074,082	4,411,469	4,272,027
Capital outlay	4,041,731	2,866,487	7,809,160	9,769,903	5,649,594	8,784,499	11,072,371	8,219,386	9,000,163	4,791,333
Debt service:										
Principal	4,044,830	6,681,820	3,594,567	3,418,491	6,597,743	6,555,603	6,876,829	6,730,769	7,156,404	7,583,160
Interest	5,938,927	3,832,434	5,677,177	6,481,007	3,648,886	3,486,895	2,925,696	3,200,476	2,871,535	2,340,333
Bond issue costs	30,638	-	-	-	428,737	-	331,775	-	-	-
Advance refunding escrow	-	-	-	-	108,360	-	14,549,637	-	-	-
Total expenditures	37,239,309	39,254,876	44,896,789	48,927,443	45,435,650	46,075,090	63,145,196	46,290,420	48,114,515	44,677,113

CITY OF KELLER, TEXAS

CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
(Continued)
LAST TEN FISCAL YEARS
(Accrual Basis)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	$(1,053,324)	$ 86,438	$(4,337,659)	$(9,068,802)	$(4,427,228)	$(4,903,144)	$(20,951,016)	$(4,489,481)	$(3,293,007)	$ 2,001,443
OTHER FINANCING SOURCES (USES)										
Sale of capital assets	-	-	26,973	24,826	44,599	53,670	80,100	110,724	103,861	97,503
Transfers in	4,230,611	4,773,096	5,681,956	5,131,231	5,462,515	5,094,970	4,620,375	4,924,073	5,200,474	4,546,770
Transfers out	(2,038,501)	(2,880,690)	(2,510,416)	(1,939,946)	(2,054,120)	(1,442,525)	(1,070,905)	(910,633)	(1,373,919)	(1,203,780)
Bonds issued	1,160,000	-	-	12,310,000	20,629,997	-	19,450,000	601,000	-	19,580,000
Bond premium	-	-	-	-	842,858	-	1,769,323	-	-	294,213
Payments to refunded bond escrow agent	(937,743)	-	-	-	(14,370,938)	-	-	-	-	(16,561,118)
Total other financing sources (uses)	2,414,367	1,892,406	3,198,513	15,526,111	10,554,911	3,706,115	24,848,893	4,725,164	3,930,416	6,753,588
NET CHANGE IN FUND BALANCES	$ 1,361,043	$ 1,978,844	$(1,139,146)	$ 6,457,309	$ 6,127,683	$(1,197,029)	$ 3,897,877	$ 235,683	$ 637,409	$ 8,755,031
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	29.9%	35.0%	34.4%	23.7%	25.8%	29.2%	19.1%	26.3%	29.9%	24.1%

CITY OF KELLER, TEXAS

TAX REVENUES BY SOURCE - GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

Fiscal Year	Property Tax	Sales and Use Tax	Franchise Tax	Mixed Beverage Tax	Total
2006	$ 14,607,625	$ 7,534,422	$ 2,312,400	$ 49,461	$ 24,503,908
2007	16,079,035	8,294,981	2,280,832	53,482	26,708,330
2008	17,698,199	8,654,735	2,579,383	52,475	28,984,792
2009	19,143,130	8,045,471	2,520,961	55,350	29,764,912
2010	20,086,141	7,939,671	2,788,527	60,935	30,875,274
2011	19,543,407	8,087,781	2,988,616	64,242	30,684,046
2012	19,631,878	8,670,174	2,695,881	61,567	31,059,500
2013	19,625,642	9,184,887	2,842,453	92,029	31,745,011
2014	21,522,795	9,817,716	3,157,388	128,832	34,626,731
2015	22,743,582	10,660,047	3,421,518	192,912	37,018,059

CITY OF KELLER, TEXAS

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

Fiscal Year	Residential Property	Commercial and Industrial Property	Undeveloped Vacant Property	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Total Assessed Value as a Percentage of Actual Value
2006	$ 2,503,947,102	$ 472,408,098	$ 211,613,983	$ 557,827,224	$ 2,630,141,959	$ 0.44413	$ 2,894,770,545	100%
2007	2,725,521,606	556,935,766	216,651,329	289,881,845	3,209,226,856	0.43219	3,209,226,856	100%
2008	3,064,761,852	622,932,772	173,975,819	315,523,601	3,546,146,842	0.43219	3,546,432,507	100%
2009	3,334,115,025	707,454,500	143,420,000	317,110,873	3,867,878,652	0.43219	3,867,878,652	100%
2010	3,545,294,700	656,087,602	146,651,300	334,742,514	4,013,291,088	0.44219	4,013,291,088	100%
2011	3,530,301,647	647,067,001	137,210,172	349,431,177	3,965,147,643	0.44219	3,965,147,643	100%
2012	3,619,741,614	651,316,929	134,835,788	391,880,182	4,014,014,149	0.44219	4,014,014,149	100%
2013	3,686,628,494	693,422,671	132,152,843	401,546,015	4,110,657,993	0.44219	4,110,657,933	100%
2014	3,828,837,003	715,121,502	129,772,860	409,246,091	4,264,485,274	0.44219	4,264,485,274	100%
2015	4,073,968,722	754,604,636	121,888,375	415,216,470	4,535,245,263	0.43719	4,535,245,263	100%

Note 1: Beginning with fiscal year 2006, tax-exempt property includes exempt values from over-65 and disabled tax ceilings.

Note 2: The Texas Property Tax Code, under Sec. 25.18, requires each appraisal office to implement a plan to update appraised values for real property at least once every three years. Tarrant Appraisal District's current policy is to conduct a general reappraisal of real and business personal property value annually, meaning that a property's appraised value is established and reviewed for equality and uniformity each year. the District conducts an onsite field review of real property in a portion of the County annually as part of a reappraisal cycle. Tax rates are per $100 of assessed value.

Source: Tarrant Appraisal District

CITY OF KELLER, TEXAS

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

LAST TEN FISCAL YEARS

	City Direct Rates			Overlapping Rates						
Fiscal Year	Basic Rate	General Obligation Debt Service	Total Direct Rate	Carroll Independent School District	Keller Independent School District	Northwest Independent School District	Tarrant County	Tarrant County College District	Tarrant County Hospital District	Total Direct and Overlapping Rates
2006	$ 0.30570	$ 0.13843	$ 0.44413	$ -	$ 1.71580	N/A	$ 0.2725	$ 0.2725	$ 0.235397	$ 2.940327
2007	0.30447	0.12772	0.43219	-	1.60800	N/A	0.2715	0.2715	0.235397	2.818587
2008	0.31247	0.11972	0.43219	-	1.35740	N/A	0.2665	0.2665	0.235397	2.425867
2009	0.31175	0.12044	0.43219	-	1.41690	1.35500	0.2640	0.2640	0.227897	2.451004
2010	0.31009	0.13210	0.44219	1.415	1.48630	1.35500	0.2640	0.2640	0.227897	2.490524
2011	0.29278	0.14941	0.44219	1.415	1.53060	1.37500	0.2640	0.2640	0.227897	2.511927
2012	0.32552	0.12864	0.45416	1.415	1.54000	1.37500	0.2640	0.2640	0.227897	2.526390
2013	0.32552	0.11667	0.44219	1.400	1.54000	1.45250	0.2640	0.2640	0.227897	2.547754
2014	0.32646	0.11573	0.44219	1.400	1.54000	1.45250	0.2640	0.2640	0.227897	2.547754
2015	0.31676	0.12043	0.43719	1.400	1.54000	1.45250	0.2640	0.1495	0.227897	2.542754

Notes: 1 Rates are per $100 valuation.

2 Tax rates for the Carroll, Keller and Northwest Independent School Districts have been averaged in determining the Direct and Overlapping rates. Each Keller taxpayer remits School District taxes to only one school district.

Source: Tarrant County Appraisal District

CITY OF KELLER, TEXAS

PRINCIPAL PROPERTY TAXPAYERS

CURRENT YEAR AND NINE YEARS AGO

	2015				2006	
Taxpayer	Market Value (000's)	Percentage of Total City Market Value	Rank	Taxpayer	Market Value (000's)	Percentage of Total City Market Value
SC Dominion SPE LLC	$ 34,800	18.69%	1	Pr Town Center LP/ Pr Keller	$ 21,291	17.76%
Amstar/ Southern Art House LP	25,300	13.59%	2	Regency Centers LP	15,642	13.05%
SC Stone Glen LP	23,000	12.35%	3	Lowe's Home Centers Inc	14,791	12.34%
Grand Peaks Estates at Keller LP	18,150	9.75%	4	Pr Keller Partners LP	13,150	10.97%
Conservatory Senior Living	17,935	9.63%	5	Home Depot USA Inc	11,736	9.79%
Regency Centers LP	16,330	8.77%	6	TXU Electric Delivery Co	10,380	8.66%
T Keller Crossing TX LLC	14,079	7.56%	7	Margaux Keller Dev LTD	10,057	8.39%
Oncor Electric Delivery Company LL	13,298	7.14%	8	GTE Southwest Inc	8,270	6.90%
GTE Southwest Inc	11,942	6.41%	9	Kohl's Texas LP	7,461	6.23%
Lowes Home Centers Inc	11,400	6.12%	10	Wal-Mart Real Estate Business	7,073	5.90%
Total	$ 186,234	100.00%		Total	$ 119,851	100.00%

Source: Tarrant County Appraisal District

THIS PAGE LEFT BLANK INTENTIONALLY

CITY OF KELLER, TEXAS

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS

Fiscal Year Ended	Taxes Levied for the Fiscal Year[1]	Collected Within the Fiscal Year of the Levy		Delinquent Tax Collections	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2006	$ 12,905,665	$ 12,744,905	98.75%	$ 155,600	$ 12,900,505	99.96%
2007	13,839,577	13,707,407	99.04%	128,091	13,835,498	99.97%
2008	15,271,712	15,142,043	99.15%	122,020	15,264,063	99.95%
2009	16,624,386	16,462,169	99.02%	149,245	16,611,414	99.92%
2010	17,597,422	17,424,740	99.02%	156,512	17,581,252	99.91%
2011	17,370,019	17,212,260	99.09%	132,282	17,344,542	99.85%
2012	17,645,180	17,538,272	99.39%	78,756	17,617,028	99.84%
2013	18,026,485	17,946,631	99.56%	45,316	17,991,947	99.81%
2014	18,671,558	18,595,909	99.57%	35,275	18,631,184	99.57%
2015	19,605,135	19,504,832	99.49%	-	19,504,832	99.49%

Note: [1]Adjusted through September 30, 2015

CITY OF KELLER, TEXAS

TAXABLE SALES BY CATEGORY

LAST TEN CALENDAR YEARS
(UNAUDITED)

	Fiscal Year			
	2006	2007	2008	2009
Construction	$ 5,248,032	$ 7,013,295	$ 7,549,622	$ 7,653,377
Transportation, communications	696,935	13,270,529	10,542,719	-
Utilities	20,503,791	26,447,297	30,128,038	-
Manufacturing	7,935,347	8,904,880	295,450	2,940,779
Wholesale trade	12,306,490	7,213,880	7,891,276	5,890,013
Retail trade	87,195,184	95,563,198	108,725,426	159,769,554
Information	29,277,212	17,947,316	38,930,359	1,309,930
Finance and insurance	566,094	1,021,182	4,141,296	1,344,111
Real estate, rental and leasing	1,421,852	1,408,433	11,665,675	6,712,679
Professional, scientific and technical services	5,053,089	17,275,861	4,667,602	4,095,448
Administrative and support services	15,605,492	6,569,325	12,374,811	6,347,933
Educational services	36,003	37,249	307,699	78,540
Arts, entertainment and recreation	3,365,641	3,539,286	3,681,219	8,810,317
Accommodation and food services	26,001,060	21,821,352	41,325,976	47,316,633
Other Services except PA[1]	4,618,231	5,296,379	7,756,203	9,806,464
Other	85,632,350	105,762,350	53,868,594	1,406,225
Total	$ 305,462,803	$ 339,091,812	$ 343,851,965	$ 263,482,003
Direct sales tax rate	2.000%	2.000%	2.000%	2.000%

Notes:

[1] PA - Public Administration, per naics.com.

[2] Information provided by State Comptroller's office

TABLE 10

Fiscal Year					
2010	2011	2012	2013	2014	2015
$ 5,644,566	$ 7,487,590	$ 5,690,397	$ 8,628,139	$ 7,891,854	$ 8,227,863
123,993	6,981,819	11,695,882	12,048,822	12,219,719	-
39,979,714	38,586,553	523,381	34,432,043	32,061,719	34,119,759
6,419,863	320,998	523,381	337,657	273,857	175,751
8,956,140	7,824,042	7,861,903	9,018,601	9,763,717	11,905,554
100,766,160	108,724,134	116,508,313	124,257,630	129,472,431	71,784,004
53,397,031	40,204,903	41,788,728	44,491,839	42,655,529	56,500,069
1,361,454	3,418,573	4,544,921	4,732,909	4,114,482	842,937
4,594,903	9,610,727	12,667,771	13,332,200	12,632,715	15,573,215
4,017,325	4,585,668	5,642,146	5,334,402	5,987,358	8,375,138
9,821,471	11,397,517	11,689,606	14,142,641	14,024,258	12,613,163
466,628	437,575	269,071	351,655	406,363	391,465
3,915,255	4,379,237	4,522,275	4,207,107	3,086,830	4,623,197
40,617,242	38,757,393	42,932,278	47,229,686	49,744,779	55,162,234
10,843,370	6,876,945	8,273,649	8,864,231	9,012,614	8,425,228
108,891,431	53,445,162	56,115,562	61,564,107	73,637,665	194,592,471
$ 399,816,546	$ 343,038,836	$ 331,249,264	$ 392,973,669	$ 406,985,891	$ 483,312,048
2.000%	2.000%	2.000%	2.000%	2.000%	2.000%

CITY OF KELLER, TEXAS

DIRECT AND OVERLAPPING SALES TAX RATES

LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year	State of Texas	Keller Direct Rate	Keller Development Corporation (1)	Keller Crime Control District (2)	Keller Street Maintenance (3)	Totals
2006	6.250%	1.000%	0.500%	0.375%	0.125%	8.250%
2007	6.250%	1.000%	0.500%	0.375%	0.125%	8.250%
2008	6.250%	1.000%	0.500%	0.250%	0.250%	8.250%
2009	6.250%	1.000%	0.500%	0.250%	0.250%	8.250%
2010	6.250%	1.000%	0.500%	0.250%	0.250%	8.250%
2011	6.250%	1.000%	0.500%	0.250%	0.250%	8.250%
2012	6.250%	1.000%	0.500%	0.250%	0.250%	8.250%
2013	6.250%	1.000%	0.500%	0.250%	0.250%	8.250%
2014	6.250%	1.000%	0.500%	0.250%	0.250%	8.250%
2015	6.250%	1.000%	0.500%	0.250%	0.250%	8.250%

Notes:
(1) Effective 1992
(2) Effective April 2002; November 2007, voters authorized a reduction to 0.25% effective April 1, 2008.
(3) Effective April 2004; November 2007, voters authorized an increase to 0.25% effective April 1, 2008.

CITY OF KELLER, TEXAS

SALES TAXPAYERS BY INDUSTRY

CURRENT YEAR AND NINE YEARS AGO
(UNAUDITED)

	2015				2006			
Taxpayer	Number of Payers	Percent of Total	Tax (1)	Percent of Total	Number of Payers	Percent of Total	Tax (2)	Percent of Total
Construction	1,958	6.36%	$ 143,988	1.73%	305	6.49%	$ 104,961	1.68%
Transportation, communications and warehousing	-	- %	-	- %	n/a	- %	-	- %
Utilities, mining	583	1.89%	597,096	7.18%	20	0.43%	421,873	6.77%
Manufacturing	271	0.88%	3,076	0.04%	241	5.13%	158,707	2.55%
Wholesale trade	4,450	14.46%	208,347	2.51%	527	11.22%	246,130	3.95%
Retail trade	3,188	10.36%	1,256,220	15.11%	1,430	30.44%	1,743,904	27.98%
Information	3,221	10.46%	988,751	11.89%	394	8.39%	585,544	9.39%
Finance and insurance	403	1.31%	14,751	.18%	45	.96%	11,322	.18%
Real estate, rental and leasing	776	2.52%	272,531	3.28%	73	1.55%	28,437	0.46%
Professional, scientific and technical services	1,744	5.67%	146,565	1.76%	266	5.66%	101,062	1.62%
Administrative and support services	2,301	7.48%	220,730	2.65%	393	8.37%	312,110	5.01%
Educational services	356	1.16%	6,851	0.08%	18	0.38%	720	0.01%
Arts, entertainment and recreation	154	.50%	80,906	0.97%	15	0.32%	67,313	1.08%
Accommodation and food services	896	2.91%	965,339	11.61%	56	1.19%	520,021	8.34%
Other services except PA[3]	1,263	4.10%	147,441	1.77%	119	2.53%	92,365	1.48%
Other	9,216	29.94%	3,263,167	39.24%	796	16.94%	1,839,243	29.50%
Total	30,780	100.00%	$ 8,315,759	100.00%	4,698	100.00%	$ 6,233,712	100.00%

Notes: Due to confidentiality issues, the names of the ten largest revenue payers are not available. The sectors presented are intended to provide alternative information regarding the sources of revenue. Information is provided by State Comptroller of Public Accounts.

(1) Direct Sales Tax Rate 1%, Keller Development Corporation .5%, Street Maintenance .25%, Crime Control District .25%
(2) Direct Sales Tax Rate 1%, Keller Development Corporation .5%
(3) PA - Public Administration per naics.com.

CITY OF KELLER, TEXAS
TEN LARGEST WATER CUSTOMERS BY CONSUMPTION (USAGE)
AS OF SEPTEMBER 30, 2015

2015				2006			
Customer	Total 2015 Consumption (000's)	Sales	Pct of Total Usage	Customer	Total 2006 Consumption (000's)	Sales	Pct of Total Usage
City of Keller	55,424.5	$ 182,322	2.07%	City of Keller	100,137.5	$ 236,359	2.86%
Keller Independent School District	38,078.1	235,681	1.42%	Keller Independent School District	87,937.0	439,023	2.51%
Hidden Lakes Home Owner Ass'n	14,693.8	85,152	0.55%	Hidden Lakes Home Owner Ass'n	31,745.8	158,163	0.91%
Keller Senior Community, LP	8,731.2	50,285	0.33%	Capri W. Lakes, LLC	28,126.8	140,784	0.80%
Grand Estates at Keller, LP	8,458.0	50,076	0.32%	XTO Energy	10,307.8	53,110	0.29%
Conservatory Senior Housing	7,861.6	45,387	0.29%	Plant Shed, Inc.	9,062.8	43,964	0.26%
SC Town Center LP	7,478.0	44,469	0.28%	Keller Oaks Healthcare Center	7,254.5	34,778	0.21%
SC Stone Glen, LP	6,839.5	43,618	0.25%	Mimosa Manor	7,141.4	36,387	0.20%
St Elizabeth Ann Seton	6,513.4	37,058	0.24%	Flanigan Hill Home Owner Ass'n	5,826.8	28,762	0.17%
Keller Oaks Healthcare Center	5,992.8	33,862	0.22%	Home Depot	5,759.7	27,441	0.16%
Subtotal	160,070.9	807,910	5.97%	Subtotal	293,300.1	1,198,771	8.37%
Other customers	2,523,292.1	12,740,393	94.03%	Other customers	3,209,014.9	8,532,439	91.63%
TOTAL	2,683,363.0	$ 13,548,303	100.00%	TOTAL	3,502,315.0	$ 9,731,210	100.00%

Source: Information provided by City staff

CITY OF KELLER, TEXAS

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

	Governmental Activities				Business-type Activities							
Fiscal Year	General Obligation Bonds	Certificates of Obligation	KDC Revenue Bonds	Premiums / Discounts	General Obligation Bonds	Certificates of Obligation	Revenue Bonds	TRA - Other	Premiums / Discounts	Total Primary Government	Percentage of Personal Income	Per Capita
2006	$ 21,226,401	$ 69,425,000	$ 890,000	$ -	$ 9,768,600	$ 15,515,000	$ -	$ 1,621,409	$ -	$ 118,446,410	28.13%	$ 11,252
2007	19,577,414	64,590,000	775,000	-	8,728,625	14,850,000	-	1,216,439	-	109,737,478	6.97%	2,926
2008	17,883,020	61,460,000	660,000	-	7,761,982	14,130,000	-	772,337	-	102,667,339	6.32%	2,687
2009	20,048,603	64,755,000	535,000	-	6,981,398	13,370,000	-	303,537	-	105,993,538	6.52%	2,695
2010	24,105,000	61,179,997	405,000	-	5,995,000	14,385,000	-	501,420	-	106,571,417	6.83%	2,698
2011	21,945,000	56,923,550	275,000	-	5,585,000	21,040,000	-	521,228	-	106,289,778	6.16%	2,669
2012	24,580,000	53,730,020	140,000	-	10,560,000	11,765,000	-	139,037	-	100,914,057	5.32%	2,460
2013	22,415,000	50,002,894	-	2,384,865	9,700,000	11,042,000	-	241,691	885,923	96,672,373	5.29%	2,355
2014	19,970,000	45,353,000	-	2,144,397	9,145,000	9,959,000	-	-	794,714	87,366,111	4.72%	2,037
2015	17,231,728	43,893,112	-	1,965,055	10,759,160	6,765,000	-	-	962,073	81,576,128	4.19%	1,902

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

CITY OF KELLER, TEXAS

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

LAST TEN FISCAL YEARS

Fiscal Year	General Bonded Debt Outstanding: General Obligation Bonds	Debt Service Fund	Certificates of Obligation	Debt Service	Total	Percentage of Actual Taxable Value of Property	Per Capita
2006	$ 30,995,001	$ 1,085,740	$ 84,940,000	$ 724,770	$ 117,745,511	4.07%	$ 3,225
2007	28,360,001	1,217,054	80,215,000	560,249	110,352,304	3.44%	2,927
2008	25,645,002	759,971	75,590,000	555,897	102,550,870	2.89%	2,670
2009	27,030,001	753,065	78,125,000	247,354	106,155,420	2.74%	2,691
2010	30,100,000	1,109,121	75,564,997	216,019	106,990,137	2.67%	2,700
2011	27,530,000	841,552	77,963,550	84,735	106,419,837	2.68%	2,666
2012	35,140,000	576,537	65,495,000	76,817	101,288,354	2.52%	2,505
2013	32,115,000	526,302	61,044,894	108,913	93,795,109	2.28%	2,283
2014	29,115,000	525,621	55,312,000	159,461	85,112,082	2.00%	2,025
2015	27,990,888	517,240	50,658,112	414,534	79,580,774	1.75%	1,855

Amounts should be net of related premiums/discounts

TABLE 16

CITY OF KELLER, TEXAS

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

AS OF SEPTEMBER 30, 2015

Government Unit	Debt Outstanding	Estimated Percentage Applicable[1]	Estimated Share of Direct and Overlapping Debt
Debt repaid with property taxes:			
Carroll Independent School District	$ 216,607,746	0.18%	$ 389,894
Keller Independent School District	771,277,959	33.55%	258,746,980
Northwest Independent School District	765,546,815	0.13%	995,211
Tarrant County General Obligation Debt	361,420,000	3.30%	11,926,860
Tarrant County College District	-	3.30%	-
Tarrant County Hospital District	23,440,000	3.30%	773,520
Subtotal, overlapping debt			272,832,465
City of Keller direct debt[2]		100.00%	61,124,840
Total direct and overlapping debt			$ 333,957,305

Source: www.mactexas.com

Note: [1] Percentage of government unit's total property value located within the Keller City limits.

[2] Includes both tax-supported self-supported debt of the Keller Development Corporation, Keller Crime Control and Prevention District and the Tax Increment Reinvestment Zone No. 1

CITY OF KELLER, TEXAS

LEGAL DEBT MARGIN INFORMATION

LAST TEN FISCAL YEARS

	Fiscal Year			
	2006	2007	2008	2009
Debt limit	$ 2.50000	$ 2.50000	$ 2.50000	$ 2.50000
Adopted tax rate	0.44413	0.43219	0.43219	0.43219
Additional rate available	2.05587	2.06781	2.06781	2.06781
Legal debt margin	$ 57,579,511	$ 66,156,570	$ 72,891,093	$ 77,696,131
Total net debt applicable to the limit as a percentage of debt limit	17.77%	17.29%	17.29%	17.29%

As a home rule city, the City of Keller is not legally limited by law in the amount of debt it may issue. The City's Charter Section 8.16., states:

The City Council shall have the power under the provisions of state law to levy, assess and collect an annual tax upon taxable property within the City, the tax not to exceed the rate as provided for by state law governing cities with a population in excess of five thousand (5,000) inhabitants.

Article II, Section 5 of the State of Texas Constitution states in part:

…but no tax for any purpose shall ever be lawful for any one year, which shall exceed two and one-half percent of the taxable property of such City.

TABLE 17

Fiscal Year					
2010	2011	2012	2013	2014	2015
$ 2.50000	$ 2.50000	$ 2.50000	$ 2.50000	$ 2.50000	$ 2.50000
0.44219	0.44219	0.44219	0.44219	0.44219	0.43719
2.05781	2.05781	2.05781	2.05781	2.05781	2.06281
$ 77,320,390	$ 81,114,904	$ 82,600,785	$ 84,589,531	$ 84,589,531	$ 93,614,599
17.69%	17.69%	17.69%	17.69%	17.69%	17.49%

Legal Debt Margin Calculation for the Current Fiscal Year:

Maximum allowable tax rate	$ 2.50000
Adopted tax rate	0.43719
Additional rate available	2.06281
Total taxable value	4,538,207,540
Additional tax levy available (debt margin)	93,614,599
Less: amount set aside for repayment of general obligation debt	1,374,771
Legal debt margin	$ 92,239,828

CITY OF KELLER, TEXAS

PLEDGED REVENUE COVERAGE

LAST TEN FISCAL YEARS

	Water Revenue Bonds					
Fiscal Year	Utility Services Charges	Less: Operating Expenses	Net Available Revenue	Debt Service Requirements Principal	Debt Service Requirements Interest	Times Coverage
2006	$ 18,725,239	$ 11,509,760	$ 7,215,479	$ -	$ -	N/A
2007	15,071,034	10,878,806	4,192,228	-	-	N/A
2008	18,440,505	11,072,183	7,368,322	-	-	N/A
2009	17,825,997	11,263,357	6,562,640	-	-	N/A
2010	17,332,920	11,393,852	5,939,068	-	-	N/A
2011	21,507,180	13,675,260	7,831,920	-	-	N/A
2012	19,856,182	15,515,102	4,341,080	-	-	N/A
2013	20,017,810	12,010,745	8,007,065	-	-	N/A
2014	21,578,141	17,816,373	3,761,768	-	-	N/A
2015	21,521,901	19,788,960	1,732,941	-	-	N/A

CITY OF KELLER, TEXAS

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS

Calendar Year	Population[1]	Personal Income	Per Capita Personal Income	Median Age	School Enrollment (KISD)[2]	National Unemployment Rate[4]
2006	36,508	$ 1,460,320,000	$ 40,000 [7]	35.0	25,873	4.4%
2007	37,700	1,583,400,000	42,000 [7]	35.0	27,905	5.0%
2008	38,402	1,632,085,000	42,500 [7]	35.0 [5]	29,424	7.3%
2009	39,450	1,558,827,300	39,514 [7]	35.0 [5]	30,299	9.9%
2010	39,627 [10]	4,565,821,278	39,514 [7]	35.0 [6]	32,808	9.3%
2011	39,920	1,730,172,720	43,341 [8]	32.0 [6]	32,796	8.5%
2012	40,440	1,896,838,200	46,905 [8]	36.9 [6]	33,130	7.8%
2013	41,090	1,828,422,820	44,498 [3]	39.9 [9]	33,367	7.2%
2014	42,040	1,852,618,720	44,068 [3]	41.1 [9]	33,440	5.9%
2015	42,890	1,947,849,350	45,415	41.3	33,616	5.1%

Sources:
[1] North Central Texas Council of Governments (NCTCOG)
[2] Keller Independent School District (KISD)
[3] Bureau of Census
[4] Bureau of Labor Statistics
[5] www.idcide.com, (©) 2008
[6] U. S. Census 2007 Data and *American Community Survey*
[7] Dallas Morning News, Business Section D, November 1, 2010
[8] BEA.gov
[9] IndexMundi
[10] U. S. Census 2010

CITY OF KELLER, TEXAS

PRINCIPAL AREA EMPLOYERS

CURRENT YEAR AND TEN YEARS AGO

2015				2006		
Employer	Employees	Percentage of Total City Employment	Rank	Employer	Employees	Percentage of Total City Employment
Keller ISD	1,261	47.67%	1	Sabre Corporation	3,345	22.26%
City of Keller	352	13.31%	2	AMR Corporation	2,381	15.85%
Kroger	210	7.94%	3	Fidelity Investments	2,132	14.19%
Kohl's Department Store	200	7.56%	4	Keller ISD	2,103	14.00%
Lowe's	153	5.78%	5	Nokia	1,500	9.98%
Keller Oaks Healthcare Cente	150	5.67%	6	Motorola	1,300	8.65%
Home Depot	139	5.26%	7	Daimler Chrysler	1,000	6.66%
Tom Thumb	90	3.40%	8	Southwestern Bell	750	4.99%
Walmart Neighborhood Marke	90	3.40%	9	Advanced PCS Systems	515	3.43%
Total	2,645	100.00%		Total	15,026	100.00%

Source: Texas Workforce Commission
Demographics provided by The Retail Coach

CITY OF KELLER, TEXAS

FULLTIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

Function/Program	Fiscal Year 2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General government										
Administration	7.00	7.00	8.50	10.00	10.00	8.00	8.00	8.00	8.00	9.00
Finance	7.00	7.00	7.50	7.50	6.50	6.50	7.00	7.00	7.00	7.50
Planning	14.25	14.25	14.50	14.50	11.00	11.00	11.00	12.00	11.96	12.41
Town Hall operations	1.00	1.00	2.00	2.00	2.00	3.00	3.00	3.00	3.00	3.00
Other	17.73	17.73	22.83	22.83	20.83	25.00	16.14	15.50	15.40	13.78
Police										
Officers	67.00	71.00	78.00	78.00	77.00	79.00	50.50	51.50	50.00	49.00
Civilians	4.00	4.00	4.00	4.00	4.00	4.00	34.00	34.00	35.48	37.48
Fire										
Firefighters and officers	44.50	44.50	60.50	60.50	54.00	57.00	57.00	57.00	57.00	55.00
Civilians	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Public works										
Engineering	6.00	6.00	6.00	6.00	5.50	5.50	3.00	3.00	3.00	3.00
Other	11.33	11.33	11.33	11.33	8.83	8.83	11.73	12.10	12.10	12.33
Parks and recreation	87.24	87.24	83.08	84.05	77.65	71.64	74.16	76.22	76.40	74.07
Library	15.97	15.97	15.97	15.97	15.42	15.42	15.42	15.42	15.42	15.48
Water	34.92	35.92	35.92	37.92	33.67	33.67	30.30	30.67	30.67	31.17
Wastewater	7.50		10.50	9.50	9.50	9.50	9.50	9.50	9.50	11.50
Drainage	7.75	8.75	8.75	8.75	8.50	8.50	8.50	8.50	8.50	8.50
Total	335.19	333.69	371.38	374.85	346.40	348.56	341.25	345.41	345.43	345.22

Source: [1] Information provided by City staff

CITY OF KELLER, TEXAS

OPERATING INDICATORS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS
(UNAUDITED)

Function/Program	Fiscal Year[1] 2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General government										
Council and work sessions held	32	51	45	48	42	45	32	33	32	52
Cable broadcasts	594	658	3,582	5,109	7,118	7,338	406	7,305	7,305	7,646
Birth/death certificates issued	1,308	1,218	1,495	935	396	833		364	436	195
Building permits issued	473	255	277	183	248	250	250	250	300	275
New construction plan review	480	360	165	256	346	350	350	315	385	325
Police										
Physical arrests	1,754	1,631	1,813	1,800	1,600	1,625	1,550	1,190	1,540	1,324
Total citations issued	15,517	12,755	12,755	11,750	11,438	11,800	10,000	9,300	10,500	11,271
Total emergency 911 calls*	13,160	13,160	30,350	30,029	32,500	36,400	39,000	30,000	39,764	40,738
Calls for service*	76,103	77,329	88,559	174,669	155,124	220,000	232,180	245,484	257,664	292,784
Animal control										
Animals adopted/redeemed	834	619	885	819	552	556	724	811	720	641
Animals impounded	1,504	1,152	1,511	1,334	1,108	1,293	1,114	970	850	886
Animal bite investigations	61	65	74	63	63	70	68	68	82	105
Fire										
Emergency responses	2,500	1,625	1,785	2,706	2,844	2,980	2,180	2,124	3,288	3,369
Calls for service, excludes EMS	928	970	1,175	914	1,018	1,139	1,225	1,217	1,244	1,098
Fire hydrants maintained	1,824	1,875	2,026	2,050	2,065	2,063	2,077	2,077	2,150	2,237
Inspections	420	584	516	697	731	720	300	300	1,316	1,998
Finance										
Accounts payable checks processed	5,819	5,107	5,269	5,476	5,269	5,600	3,500	4,400	4,400	4,100
Payroll checks processed	4,986	10,442	11,320	11,624	11,320	11,800	10,200	11,700	11,650	10,900
Journal entries posted	4,499	5,189	5,813	5,795	5,510	5,500	5,000	5,000	4,450	4,300
Purchase orders processed	316	346	336	323	336	357	300	300	300	285
Human resources										
Applications processed	1,704	2,200	1,899	1,190	730	750	1,550	1,350	1,800	1,650
Vacancies filled	42	44	57	26	25	130	147	153	200	230
Turnover rate	13.18%	12.50%	10.75%	7.49%	9.30%	10.00%	15.00%	14.00%	18.00%	18.00%
Safety classes conducted	9	9	6	6	5	5	5	5	4	4
Worker compensation claims	53	60	43	49	55	40	40	40	34	45

CITY OF KELLER, TEXAS

OPERATING INDICATORS BY FUNCTION/PROGRAM
(Continued)
LAST TEN FISCAL YEARS
(UNAUDITED)

Function/Program	Fiscal Year[1] 2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Municipal court										
Citations processed	15,613	12,755	10,500	10,524	11,438	11,800	11,000	10,800	10,400	10,526
Warrants processed	2,370	2,938	2,400	1,967	2,000	2,000	2,000	2,275	2,000	2,000
Court sessions[4]	204	212	212	212	189	189	208	100	47	47
Defendant requests for court date	7,809	4,915	3,981	6,915	6,950	6,950	6,300	4,350	4,200	4,200
Public works										
Review CIP designed by others	14	14	20	14	10	12	12	12	12	10
Street resurfacing (miles)	6.87	12.00	16.00	12.00	12.00	14.00	14.00	14.00	16.00	10.00
Sidewalks repaired (linear feet)	620	300	56	725	750	750	1,000	1,700	1,500	1,500
Parks and recreation										
Park acreage	442	442	456	456	456	456	456	491	491	491
Facility reservations	495	492	646	814	825	840	975	1,000	975	978
Program attendance (incl. Sr. programs)	27,308	27,901	34,091	27,359	21,200	22,000	18,307	15,007	34,226	41,985
Athletic field permits issued	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Recreation programs provided (incl. Sr. programs)	367	900	960	975	975	1,050	1,012	410	1,658	1,828
Library										
Library customer visits	249,455	251,327	253,000	191,739	280,000	300,000	232,000	231,500	238,000	227,000
Total volumes borrowed	412,000	380,258	398,633	317,834	411,930	450,000	579,500	563,000	562,000	495,396
Volumes in collection	110,000	119,232	129,154	128,979	139,954	84,358	100,363	114,363	127,663	138,663
Water										
New customers (net)	(265)	308	322	127	242	201	179	254	326	255
Water main breaks	101	44	45	31	29	42	29	22	27	14
Average daily consumption (gallons)[3]	9,697	6,353	8,216	7,804	7,482	9,784	8,838	8,297	8,400	7,692
Peak daily consumption (million gallons)[3]	19.300	15.371	18.785	18.973	18.204	22.565	20.551	23.465	22.000	21.591
Water purchased (million gallons)	3,539.3	2,318.9	3,007.0	2,848.3	2,731.0	3,571.3	3,225.9	3,028.5	3,029.4	2,807.7
Wastewater										
Average daily sewage treatment (million gallons)[5]	2.877	3.150	2.542	2.800	2.975	2.865	2,866	2.876	2.972	2.950

Sources:

[1]Information provided by City staff. Information was not collected, and therefore not available where N/A is shown.

[2]Decrease due to actual verification by City staff for 2011. Only an estimate in previous years.

[3]Decrease due to verification on the calculation of wholesale treatment costs.

[4]FY2012 includes attorney dockets

[5]Trinity River Authority - annual audits

TABLE 23

CITY OF KELLER, TEXAS

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

Function/Program	Fiscal Year 2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	28	25	25	23	21	21	23	23	23	29
Fire										
Stations	3	3	3	4	4	3	3	3	3	3
Engines/trucks	3	3	6	5	5	4	5	5	5	5
Public works										
Streets (miles)	182	393	410	414	418	418	477	477	475	485
Street lights	2,055	2,075	2,369	2,405	2,408	2,500	2,505	2,585	2,487	2,605
Traffic signals	4	4	5	6	6	6	10	10	-	10
Parks and recreation										
Acreage	442	442	456	456	456	456	456	491	491	491
Playgrounds	8	9	9	9	9	9	9	9	9	9
Baseball/softball fields	8	11	11	11	11	11	11	11	11	11
Soccer/football fields	8	9	9	9	9	9	9	9	9	9
Community centers[1]	1	1	1	1	1	1	1	1	1	1
Water										
Water mains (miles)[2]	256	256	256	256	258	260	190	290	288	286
Storage capacity (million gallons)	9	9	10	10	10	10	10	10	10	10
Wastewater										
Sanitary sewers (miles)[2]	183	183	183	183	183	193	193	192	192	196
Storm sewers (miles)[2]	45.00	46.85	50.08	50.15	50.15	50.15	50.15	50.15	50.15	50.15
Treatment capacity (million gallons)	10	10	10	10	10	10	10	10	10	10

Notes:

[1] Increase includes purchases as well as three leased motorcycle units.

[2] City staff correction to prior year estimates due to upgrades to GIS technology and new federal tracking requirements; numbers are estimates.

[3] Water System transfer from City of Keller to City of Fort Worth.

[4] TXU and TCEC erect City street lights, therefore provider supplies count. The City of Keller remits the cost of electricity to the provider.

COMPLIANCE SECTION

COMPLIANCE SECTION

THIS PAGE LEFT BLANK INTENTIONALLY

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor and
Members of the City Council
City of Keller, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Keller, Texas, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Keller, Texas' basic financial statements, and have issued our report thereon dated April 21, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Keller, Texas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Keller, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Keller, Texas' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. During our audit we did identify deficiencies in internal control that we consider to be material weaknesses, and which are described in the accompanying Schedule of Findings and Responses as items 2015-001 and 2015-002. Additional material weaknesses may exist that have not been identified.

WACO, TX
401 West Highway 6
Waco, Texas 76710
254.772.4901
www.pbhcpa.com

HOUSTON, TX
281.671.6259

RIO GRANDE VALLEY, TX
956.544.7778

TEMPLE, TX
254.791.3460

ALBUQUERQUE, NM
505.266.5904

AICPA
Governmental Audit Quality Center

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Keller, Texas' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Keller, Texas' Response to Finding

The City of Keller, Texas' response to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. City of Keller, Texas' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
April 21, 2016

CITY OF KELLER, TEXAS

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEAR ENDED SEPTEMBER 30, 2015

Item 2015-001

Criteria:	Beginning of the year equity accounts should agree to the ending equity amounts for the prior year. This information should be maintained by the City's management to ensure accurate information is available for financial reporting in accordance with generally accepted accounting standards.
Condition:	Several of the City's equity accounts did not agree to final amounts contained in the prior year's audited financial statements.
Effect:	Significant time and effort was necessary to reconcile the City's equity accounts.
Recommendation:	We recommend that the City evaluate procedures and policies to address internal controls with regard to the equity accounts. Additionally, we recommend the City to reconcile its fund balance and net position on a quarterly basis. This will provide the City with an accurate fund balance and net position amount on the general ledger during the year and significantly reduce the time and effort necessary to reconcile these accounts at year end.
Management's Response:	The City will begin reconciling the equity accounts on a quarterly basis.
Contact Person Responsible for Corrective Action:	Finance Director
Anticipated Completion Date:	June, 2016

CITY OF KELLER, TEXAS

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEAR ENDED SEPTEMBER 30, 2015

Item 2015-002

Criteria:	All journal entries posted to the general ledger should be reviewed and posted on a timely basis.
Condition:	Many of the City's year end adjusting entries had not been made prior to the start of the financial statement audit. As a result, a significant number of entries were required after a trial balance was provided to the auditors.
Effect:	Adjusting entries not posted in a timely manner could result in material misstatements of the City's financial statements and provide significant delays in the City's management receiving relevant financial information.
Recommendation:	We recommend that the City evaluate procedures and policies to address the closing process currently in place as well as the journal entry posting process during the year. Additionally, we recommend the City prepare an end of the year checklist. This will provide the City with a smoother close of the general ledger and help eliminate the risk of material misstatement.
Management's Response:	The City will evaluate the procedures associated with the posting of journal entries, specifically entries posted at year-end. Additionally, the City will maintain an end of the year checklist to ensure that all entries are posted.
Contact Person Responsible for Corrective Action:	Finance Director.
Anticipated Completion Date:	December, 2016